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SURVEY of Current Affairs

Government and Administration

Security in Northern Ireland 379
By-election and State of the Parties 380

External Affairs and Defence

Arms Control and Disarmament 381
Defence Policy 384
European Community 388
Middle East 392
Shorter Notes
Death of President Brezhnev 394; Aid to India 394; Aid to Bangladesh 394

Economic and Scientific Affairs

The Economy 396
Unemployment and Government Policy 398
GATT Ministerial Meeting 401
Overseas Trade in 1981 402
Telecommunications Bill 404
Transport Bill 407
Energy Bill 409
Water Bill 410
British Shipbuilders Bill 412
Biotechnology Support Programme 413
Agreement to Develop Britain's Standards System 414
Shorter Notes
New Technical Education Initiative 415; Britoil 416; Fast Reactor Policy 416; Private Sector Steel Scheme 417; End of Regional Grant Moratorium 417; New Enterprise Zones 417; Fibre-Optics and Opto-Electronics 417; Microelectronics Application Project 418; Inspection of Company Documents: Possible Privatisation 418

Social and Cultural Affairs

Police and Criminal Evidence Bill 419
Shorter Notes
Grants to Assist Ethnic Minorities 421; Festival of India 422; Direct Broadcasting by Satellite 422

Documentation

423

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GOVERNMENT AND ADMINISTRATION

Security in Northern Ireland

In an address to the Northern Ireland Assembly on security in the Province, the Secretary of State for Northern Ireland, Mr James Prior, announced an increase in police manpower. He spoke of the Government's resolve to suppress terrorism and of the importance in this objective of the co-operation of the Irish Republic, the United States and countries in Western Europe.

Speaking on 30 November, Mr Prior announced an increase of 500 officers in the full-time strength of the Royal Ulster Constabulary and of 300 in the reserve. This will bring the establishment of the police force in Northern Ireland to 8,000 regular men and women and 2,500 reservists. There are also to be an additional 336 civilian support staff. The total cost of this extra provision will amount to about £37·5 million over the next three financial years.

Security Policy

Discussing the Government's security policy, Mr Prior said that the suppression of terrorism was a responsibility to be tackled with all the resolution, courage and resources that could be secured. Violence grew and flourished in soil which was fertile to it and terrorism survived through its ability to manipulate and exploit divisions and mutual suspicions within the community. It was the responsibility of all to help heal these fears and so create conditions in which terrorism withered. Weapons alone could not be successful against paramilitary violence and public disorder. In spite of the hunger of many people for a simple solution there was no easy or clear-cut way. In all countries where terrorism existed, its successful prosecution depended on convincing the community that there was a better way to progress towards freedom and justice and respect for all. Such progress had a political and social aspect but it also depended on the extent to which the security forces could win the support of the community. The best weapon against terrorism was the co-operation of the public; the public in Northern Ireland had been co-operating and it was essential that this continued. Mr Prior said he was encouraged by the extent to which church leaders, both Catholic and Protestant, had condemned violence and urged respect for the rule of law.

Discussing the proposed increase in police manpower, Mr Prior said the police force had increasingly taken over the lead role in the response to terrorism, with the regular Army and the Ulster Defence Regiment in support. This facilitated the development of a more sensitive and thus more effective security effort. There had been growing success in foiling terrorist attacks and a growing number of convictions for terrorist offences – in 1982, 558 up to September compared with 363 in the same period last year. Compared with eight or ten years ago there was a marked improvement in the security situation.

Co-operation with other Governments

This progress was in part attributable to the understanding and co-operation of influences outside the United Kingdom, said Mr Prior. He had directed a good deal of time to persuading other governments to co-operate in acting against terrorism. The United States administration had stated that they would continue to pursue those engaged in illegal arms trafficking to Northern Ireland. Similar co-operation had been extended by the authorities in Western Europe. The Irish Republic had done a great deal of effective practical work in this respect. The border was of crucial importance and some terrorists sought to exploit it. The high level of co-operation between the Royal Ulster Constabulary and the Irish Garda had done much to restrict those opportunities. In recent years there had been growing co-operation over cross-border security, and these arrangements had to be sustained and improved.

It was of special importance that terrorists should not escape justice by crossing international boundaries. The European Convention on the Suppression of Terrorism was designed to ensure that terrorists were not able to plead the alleged political character of their crimes as a means of avoiding justice. It remained a matter of regret and concern that the Irish Government did not feel able to accept this convention, and Mr Prior urged them to think again. In his view a fully effective mechanism for extraditing terrorists provided the best means of ensuring they were subject to the full process of the law for their crimes. He welcomed recent convictions under the Republic's extra-territorial legislation[1] and had no doubt that the Irish authorities would continue to seek the successful application of these provisions.

[1]Under the Irish Republic's Criminal Law Jurisdiction Act 1976 persons accused of committing offences in Northern Ireland or Great Britain may be tried in the Irish Republic. The first charges and convictions under the legislation were made in 1982.

Role of the Assembly

Mr Prior said that the problem of security placed the Assembly in a difficult but crucial position. It was essential that the elected members should have a forum for raising their grievances and discussing their problems. The Government was always willing to discuss security policy and would draw on the views of and work closely with those with a legitimate concern. Were the Assembly to be allowed to break down because of the actions of violent men on both sides of the community it would be their victory. He would not surrender to the objectives of those who preferred violence to democratic discussion or who preferred temporary expedients to the careful vigilance which defended that freedom.

By-election and State of the Parties

Details of the result of a recent by-election and the present state of the parties in the House of Commons are given below.

The Labour Party retained the seat at Glasgow, Queen's Park, in a parliamentary by-election on 2 December. The seat became vacant when its holder, Mr Francis McElhone, died in September. The Labour candidate, Mrs Helen McElhone, Francis McElhone's widow, won by a majority of 5,694 votes.

The results were as follows:

H. McElhone (Labour)	8,851
P. Mallan (Scottish National Party)	3,157
J. Carlaw (Conservative)	1,888
G. Watson (Liberal-Social Democratic Alliance)	1,487

Three other candidates between them received 418 votes; they, the Conservative and the Liberal-Social Democratic Alliance candidates all lost their deposits. Some 46·9 per cent of the electorate voted.

State of the Parties

The state of the parties in the House of Commons is now as follows:

Conservative	333
Labour	239
Social Democratic	30
Liberal	12
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Official Unionist (Northern Ireland)	5
Democratic Unionist (Northern Ireland)	3
United Ulster Unionist (Northern Ireland)	1
Ulster Popular Unionist (Northern Ireland)[1]	1
Socialist (Northern Ireland)	1
Anti-H-Block Proxy Prisoner (Northern Ireland)	1
Vacant	1
TOTAL	631

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The overall Government majority in the House of Commons is 36.

[1]Formerly known as Ulster Progressive Unionist.

EXTERNAL AFFAIRS AND DEFENCE

Arms Control and Disarmament

The British Government's commitment to search for multilateral arms control agreements that would link peace with security was the major theme of a speech made by the Foreign and Commonwealth Secretary, Mr Francis Pym, to the English Speaking Union on 25 November.

Peace and Security

Britain's overriding priority and that of the North Atlantic Treaty Organisation (NATO), Mr Pym said, was to keep peace with freedom. NATO was the most successful defensive alliance of free nations that the world had ever seen and was a 'peace movement' in the genuine sense since it had safeguarded peace in Europe for over a generation. Because of NATO's deterrent strategy nuclear war was neither imminent nor inevitable. 'It is because our potential enemies know that the NATO Alliance has the means and will to defend itself that they conclude that there is nothing to be achieved by the threat or use of force. It is only when we are strong that we can live in peace.' While working for arms control agreements which would reduce the number of weapons and the money spent on them, the Alliance could never lose sight of the link between peace and security. 'Agreements which undermined our ability to deter aggression would not serve our basic purpose but would make war more likely.'

The view that peace movements cared more about peace than the Government and that it was only under popular pressure that Western governments took arms control seriously was utterly wrong, Mr Pym stated. While committed to peace and arms control negotiations, the British Government and those of its allies carried 'ultimate responsibility for the security of their countries' and therefore saw arms control 'as an integral part of their security policy'. Wishing for peace was not enough to ensure it, and the abandonment of one's weapons offered no protection against the weapons of others. 'The only way to reduce nuclear or conventional weapons without putting our security in jeopardy is for East and West to act together by agreement.' That was what the British Government was trying to do.

Soviet Threat

Mr Pym also rejected the proposition that there was no need for a nuclear deterrent on the grounds that there was no Soviet threat. No Western government could possibly accept this, for the threat was there for all to see. The Soviet Union spent 12 to 14 per cent of its national income on its military machine – a figure which no country in the West had ever approached in peacetime – which had been used three times in Europe since 1945 (in the German Democratic Republic in 1953, in Hungary in 1956 and in Czechoslovakia in 1968) and in Afghanistan, a neutral, non-aligned country, in 1979 (see pp 15-18 and 355-6, 1980). Against this background, the West had to assess the Soviet Union's advocacy of a declaration on the 'no first use' of nuclear weapons. There were no physical and verifiable measures the Soviet Union could take which would demonstrate that the option of nuclear first use no longer existed for it under conditions of war. For the Alliance 'to relinquish the option of first use would be seen by the Russians as weakening NATO deterrence and altering the risks of the threat or use of force in Soviet favour'.

The belief that the Soviet Union was merely reacting to the presence of United States forces in Europe and that there was nothing to choose between the United States and the Soviet Union, Mr Pym observed, displayed a frightening ignorance of history. The Alliance, an association of free nations, was set up only in response to Soviet expansion in Eastern Europe following the Second World War, and in the face of a huge and antagonistic power which made no secret of its hostility to the West's democratic values and political systems. Moreover, the Soviet Union needed to keep its forces in Eastern Europe to ensure the orthodoxy and loyalty of its Warsaw Pact partners. There was a contrast between the two halves of Europe: the freedom which the United States helped to defend and the totalitarian system imposed without choice from outside. The withdrawal of United States forces from Europe would remove the guarantee of freedom for Western Europe and would not lead to 'any corresponding reduction in the huge numbers of Soviet forces confronting us. Instead, we would be left perilously exposed before them.'

Unilateral Disarmament

A decision by Britain unilaterally to renounce nuclear weapons, Mr Pym continued, would neither make it safer from nuclear attack nor, as a moral gesture, increase the prospects of arms

control negotiations. If Britain remained in the Alliance while renouncing nuclear weapons, it would still be a prime target for attack because of its geographical position and strategic importance. If Britain left NATO as well it would 'not only be abandoning an alliance which [had] safeguarded [its] security for 30 years, but quite probably prompting it to collapse altogether'. European security would be drastically weakened in consequence, and the risk of Soviet aggression correspondingly increased. Mr Pym continued: 'The best way of deterring an adversary from threatening to use nuclear weapons against us is to retain our own nuclear weapons until all nuclear powers agree to disarm.' Possession of nuclear weapons made it less likely that Britain would be a nuclear target, for Soviet planners could never be certain that a nuclear attack on Britain would not carry the unacceptable risk for them of a British nuclear response.

There was no reason to suppose, Mr Pym went on, that the Soviet Union, which had devoted so much effort to building up its nuclear and conventional forces, would be influenced if Britain abandoned its nuclear capability in the hope of setting an example for other nations to disarm. The removal by NATO since 1979 of 1,000 nuclear warheads from Europe had not been matched by the Soviet Union, which had continued to install its SS20 missiles, with 650 warheads, aimed at targets in Western Europe, including Britain. This reaction suggested that unilateral reductions in nuclear forces by Britain, or NATO as a whole, would result in reduced security, an increase in the risk of war, and less chance of negotiating balanced arms reductions.

Mr Pym also rejected the view that multilateral approaches to disarmament did not work. 'The only safe route to disarmament is the one whereby countries act in agreement and in parallel. We shall never persuade the Russians to disarm if we throw in our hand before the bidding starts. But if, while maintaining Western defences, we pursue multilateral disarmament with determination and vigour, we stand the best chance of persuading the Russians to reduce their nuclear and conventional arsenals in return for reducing ours.' Multilateralism had successes to its credit, notably the nuclear non-proliferation treaty, and treaties between the United States and the Soviet Union on strategic arms limitation, and the 18 separate agreements between 1961 and 1979 on subjects such as nuclear testing, the hotline, reducing the risk of war by accident, and arms control in outer space, on the seabed and in the Antarctic. Although too few, these achievements could not be regarded as of no consequence. 'Just because the multilateral road is a difficult one, that is not an argument for abandoning it. Multilateralism alone guarantees that all parties will disarm equally, multilateralism alone guarantees that no-one's security is put at risk.'

Referring to the argument that the possession of nuclear weapons was immoral, Mr Pym said that this was not so if they were retained as a measure of last resort to deter a potential adversary from resorting to force in the first place. Moreover, he suggested, for those who believed in deterrence, it was questionable whether they had the moral right to abandon that policy, except for one which made the risks of war even less. The moral imperative was to consider the consequences of one's own actions.

Questions of morality, Mr Pym suggested, should not be confined to nuclear weapons. Conventional weapons had killed up to 10 million people since 1945. The aim had to be the reduction and ultimate elimination of all weapons. 'If we concentrate our efforts and emotions too narrowly on nuclear systems, we risk making other kinds of weapons seem almost acceptable.' The British Government would work not only for nuclear disarmament but also in the fields of conventional and chemical weapons as well.

Arms Control

The view that the West was doing nothing about arms control, Mr Pym continued, ignored the series of far-reaching disarmament proposals it had put forward on a wide range of issues. For many months the West had been offering to negotiate substantial arms reductions on the basis that neither the security of the East nor that of the West should be put at risk. However, the Soviet Union had responded with ambitious proposals for Western disarmament that would leave Soviet forces largely untouched, and this was the root of the problem.

Intermediate-range Nuclear Forces

Mr Pym said that much public debate had focused on the question of intermediate-range nuclear weapons, in which the Soviet Union had an overwhelming preponderance. Their stationing in the central and western parts of the Soviet Union meant that they could have no other purpose than to hold Western Europe at risk. In November 1981 (see pp 359-61, 1981), with unanimous backing from the European NATO governments, the United States had proposed the complete elimination on both sides of intermediate-range, land-based nuclear missiles: in exchange for the dismantling of all Soviet SS20s, SS4s and SS5s – systems which NATO did not have – the Alliance had offered to abandon completely plans to modernise the NATO armoury by deploying ground-launched cruise and Pershing II missiles in selected countries. (This modernisation programme, if implemented, would replace existing weapons on a one-to-one basis.)

The Soviet Union's counter-proposals, said Mr Pym, would enable it to retain all its SS20 missiles while denying the Alliance any deployment of cruise or Pershing II missiles. In addition the Soviet proposals required the removal from Europe of almost all existing United States aircraft with a nuclear role while allowing the Soviet Union to retain or even increase its large numbers of comparable nuclear-capable aircraft with ranges suitable only for use in Europe. So lop-sided a result was wholly unacceptable for it would produce only insecurity in Europe. Mr Pym hoped that the Soviet Union would realise that it was the Western position which would lead to real progress on arms control and disarmament.

Referring to the NATO withdrawal of 1,000 nuclear warheads, Mr Pym said that the Alliance was concerned to ensure that its stockpile of nuclear weapons in Western Europe was no more than was required for effective deterrence.

Strategic Arms Reductions

The United States, again with the support of NATO, had made a radical proposal which, if accepted, would have the effect of halving the number of land-based intercontinental ballistic missiles and submarine-launched ballistic missiles, and reducing the number of warheads by a third by the end of the 1980s (see p 190). The Soviet Union, however, appeared to be more interested in freezing its current advantage and preventing the United States from modernising its own weapons. Although the West welcomed the fact that the Soviet Union was prepared to contemplate reductions in strategic nuclear weapons on both sides, Mr Pym noted that it was not prepared to do so to the extent advocated by the West, and that it would not have moved at all had it not been impressed by the determination of the United States to spend whatever was necessary to maintain its strategic forces. It was in this context that the British Government viewed President Reagan's plans for the MX missile, which the President had said were fully consistent with United States arms control proposals. Mr Pym also welcomed President Reagan's announcement of new proposals for nuclear confidence-building measures designed further to reduce any risk of miscalculation by either side of the other's intentions.[1] While believing that an agreement between the United States and the Soviet Union on strategic arms was possible, Mr Pym said that success demanded Alliance solidarity, and support from Western parliaments and publics for the multilateral approach to arms control.

On the relevance of the British strategic nuclear deterrent to the negotiations between the United States and the Soviet Union, Mr Pym said that the overriding priority in nuclear arms control was 'to reduce the arsenals of the United States and the Soviet Union . . . and to do so on the basis of parity of numbers between the two superpowers'. Both arsenals were vastly greater than those of the other nuclear weapons states. If account were taken of the weapons of the latter as well, this would mean that the Soviet Union would be entitled to have as many nuclear weapons as all of the other nuclear weapons states put together. This would mean endorsing by treaty the Soviet superiority over the United States, 'a position at once unhealthy, unstable and probably unratifiable'.

Trident, like Polaris, had no place in the negotiations concerning sub-strategic, land-based nuclear forces in Europe, since it was sea-based and therefore excluded by definition. As for strategic nuclear arms control, Trident, like Polaris, would account for no more than a very small fraction of the strategic nuclear forces maintained by the United States and the Soviet Union. It would be of the minimum size compatible with ensuring a cost-effective deterrent into the twenty-first century. However, Mr Pym reaffirmed Britain's willingness to review its position on arms control, if, for example, Soviet military capabilities and the threat they posed to Britain changed substantially. In the meantime, Mr Pym added, Britain's allies were unanimous that the British strategic deterrent had no place in current negotiations.

Mutual Balanced Force Reductions

In addition to taking the lead in pressing for nuclear disarmament, the West had been trying to persuade the Warsaw Pact, in the negotiations in Vienna, to agree to far-reaching cuts in the conventional forces of both East and West in Central Europe. The East, however, seemed more concerned with preserving its present advantages than with lower force levels and genuine parity. Successful negotiations to enhance mutual security had to take place 'on the basis of the number of forces actually confronting one another in Central Europe', and effective verification was needed. Yet the Warsaw Pact countries insisted that calculations had to be made on the basis of their own 'manifestly too low' figures for their own forces. They refused both to try to iron out the discrepancies in their force-level figures and to contemplate appropriate verification. Because of this no progress had been made.

Chemical Weapons

Verification was also central to the West's attempts to promote agreements to ban the production and possession of chemical weapons, said Mr Pym. In proposals on verification submitted to the Committee on Disarmament in Geneva in February 1982, the British Government had set out its views on procedures for monitoring the destruction of existing stocks of chemical weapons and for ensuring that parties to an agreement did not manufacture new stocks. The need now was for the Soviet Union to accept an agreement on a system of verification and inspection in which everyone could have confidence. Progress was urgent, he said, because although the West had only a limited capability – the United States having stopped production in 1969 and Britain having destroyed its supply around the same time – the Soviet Union had devoted considerable resources to developing a chemical warfare capability. Evidence suggested that Vietnam had used these lethal weapons in Laos and Cambodia. The Geneva Protocol banning their use was 'plainly insufficient' and ways had to be found of conducting a thorough investigation of reports that chemical weapons had been used.

[1] On 22 November President Reagan announced his decision to deploy 100 MX strategic missiles, closely packed in super-hard silos in Wyoming, at a cost of $26,000 million. This system, the President said, was 'a responsible way to deter attack' and could allow further silos to be added if the Soviet Union persisted in the development and production of more powerful and deadly weapons. (On 7 December the United States House of Representatives voted to cut $1,000 million from funds for the production of the first five MX missiles, although approving $2,400 million for research and development of the MX strategic system.) On the same day, the President sent to the Soviet leaders proposals for lessening the risk of accidental nuclear war, including advance notification of missile test firing, improvement of the hotline communication between the two countries, and advance notification of large-scale military manoeuvres.

Conference on Disarmament in Europe

Another Western initiative, proposed by France, was that there should be a Conference on Disarmament in Europe, to be attended by all those countries participating in the Conference on Security and Co-operation in Europe and those party to the Helsinki Final Act (1980). The aim of this conference, which was supported by all countries of the Alliance, would be an agreement establishing a series of binding and verifiable confidence- and security-building measures for the whole of Europe designed to stabilise the military situation in a future crisis and reduce the chances that the other side could successfully prepare an attack surreptitiously. 'Such measures, by increasing the openness of military activity and thereby breaking down suspicion and mistrust, could improve the prospects for disarmament in Europe.'

Need for a Soviet Response

Reiterating that it was the West that had put forward radical disarmament proposals, not only for arms control but also for deep reductions in armament levels, Mr Pym said that, if the Soviet Union responded, 'there could be far-reaching reductions in the levels of nuclear weapons without prejudice to the security of either side'. Conventional weapons could also be reduced, and the fear of chemical weapons removed completely. Much-needed resources for domestic use and for the promotion of development in the Third World could be freed and the world would be much safer.

Mr Pym concluded: 'Let us hope that the new leadership in Moscow will respond to all our proposals. Let us hope they will give a new priority to the search for arms control agreements. The West is eager for progress, eager not just to control arms but to cut them. My message to the Soviet leadership is that if they are willing to work for agreements which are in the interests of all and seek unilateral advantage for none, they will find us more than willing. For our part, we stand ready to make any effort and look only for a matching response. So I urge them: join us in making the 1980s a decade of progress on the road to disarmament: join us in our commitment to peace.' (See also p 394.)

Defence Policy

Britain's continuing commitment to the North Atlantic Treaty Organisation (NATO) and the defence of Western Europe were emphasised by the Prime Minister, Mrs Margaret Thatcher, and the Secretary of State for Defence, Mr John Nott, in speeches made on 17 and 18 November respectively to the North Atlantic Assembly which met in London for its twenty-eighth annual session.

PRIME MINISTER'S SPEECH

Referring to the recent changes in the Soviet Union's leadership (see p 394) Mrs Thatcher said that the West would be able to judge in the months ahead whether Soviet policies and performance would present new opportunities for peace or new dangers for stability. Although the North Atlantic Alliance would work for peace, it had to be ready to respond, whatever the future might hold. 'Our guiding principles will be those to which the parties to the North Atlantic Treaty committed themselves 33 years ago.' That Treaty had stood the test of time, for peace in Europe had been kept and freedom had been upheld for more than three decades.

Freedom and Justice

The first commitment of the Alliance's members was to safeguard the 'freedom, common heritage and civilisation of their peoples, founded on the principles of democracy, individual liberty and the rule of law'. There was no greater cause than this, nor one that required such constant vigilance. Passive defence of liberty, Mrs Thatcher said, would not do, for the struggle for human liberty was unremitting, and the threat to it always present. 'Our commitment to freedom and justice must be equal to the challenge. We have a double duty, to protect our own freedom and to maintain a beacon of hope for those men and women everywhere who desire freedom but who are denied it.'

It was to restore these values, and to preserve international law, that Britain had fought a bitter conflict in the South Atlantic (see pp 105-12, 149-56 and 180-9). 'We had no doubt that we had to restore individual liberty and a democratic way of life to the Falkland Islanders, and to preserve the international law which the invaders had blatantly flouted.' The attack on British territory had occurred outside the NATO area, and while Britain had received splendid support from its allies, the responsibility to react had been Britain's alone. However, the fortunes of the Alliance were also affected by developments outside the Treaty area, and its members, in carrying out their separate responsibilities in such cases, strengthened all. This was true of Britain's efforts in the South Atlantic. 'If we had not acted to repel aggression outside our area, the Alliance's resolve to act within it might well have been questioned.'

While reaffirming the commitment of Alliance members under the Treaty 'to maintain and develop our individual and collective capacity to resist armed attack', and noting that the threat to Western security was as strong in 1982 as it had been in 1949 when the Treaty was signed, the Prime Minister said that the West was ready now, as ever, to respond to new opportunities for peace. 'But we require to be convinced that any new proposals and initiatives are based, not on calculations of short-term propaganda advantage but on a genuine willingness to increase the security of the peoples of the world. We shall need more than paper declarations. It's performance that counts.'

Since 1949, however, the Soviet Union had sacrificed the well-being of its people to the cost of armaments and had both moved to a position of parity with the United States in strategic

nuclear weapons and achieved a massive superiority in intermediate-range nuclear weapons in Europe. It had also increased its superiority in conventional armaments. In the same period, it had displayed total disregard for human rights and international law in its repression of Hungary, Czechoslovakia and Afghanistan (see pp 355-6, 1980) and the implied threat to Poland (see p 68), while continuing to suppress personal liberty within its own borders. Peace was kept in Europe only because the Alliance remained true to its objectives and maintained an effective strategy of deterrence, both nuclear and conventional. The cost, though high, would have been nothing to the price that would have to be paid 'if we were to put peace in peril by lowering our defences'. Once that had happened, Mrs Thatcher said, it would take years to restore them, years during which the West would be vulnerable to aggression and threats of aggression. 'Any government which took that risk would have failed signally in its duty to its own people and to the Alliance.' Reaffirming Britain's commitment to the Alliance's goal of an annual 3 per cent real increase in defence expenditure, Mrs Thatcher warned that 'if we were to sacrifice defence to the needs of the welfare state, the day might come when we should have neither peace nor freedom nor be able to provide our people with the schools, the hospitals and all the other elements of a modern, civilised state'.

Disarmament

The fear of nuclear weapons and the enormous cost of modern defences, Mrs Thatcher noted, had led to demands for unilateral measures of disarmament. 'But the more we dislike nuclear weapons, and we all do, the more sense it makes to work for their reduction on both sides, not just on one.' The thesis that one-sided disarmament by the West would reduce international tension was 'the great illusion of our time'. It would, on the contrary, increase the danger of conflict. 'Aggressors are tempted by weakness. But they respect strength. If they see that strength will be maintained, they may reject the path of aggression because its cost to them would be too great. Then they may seek genuinely to co-operate in negotiating disarmament. And that would make the world a safer place.' The West had put forward a range of proposals to reduce armaments and East-West tension – on strategic weapons (see p 190), for the removal of intermediate-range land-based missiles (see pp 359-61, 1981), for balanced troop reductions in Central Europe (see pp 6 and 190) and, at Madrid, for new confidence- and security-building measures (see pp 232 and 235). However, Mrs Thatcher pointed out, it was not weapons but the people possessing them who caused war. 'If they were ever encouraged to think that a threat would not be met by a firm response, that the will to defend our freedom were weakening, then the peace that has been kept in Europe for so long would truly be at risk.'

To meet the period of uncertainty ahead, Mrs Thatcher stressed that the watchword of the Alliance had to be 'unity of purpose'. In the Alliance, an association of free people, 'we debate our differences freely, we overcome them and we emerge the stronger.' The solution of most of the recent disputes between Europe and the United States illustrated that the Alliance could rise above passing problems.

SPEECH BY DEFENCE SECRETARY

British defence policy, Mr Nott told the Assembly, was based on two immutable facts: that the main threat to Britain and the Western world came from the military might of the Soviet Union and that the only effective counter to this threat was collective defence within NATO.

The nature of the threat was constantly changing, the main change in recent years being in its quality. Not only were Alliance forces outnumbered – and the gap between them and those of the Warsaw Pact would widen during the next five years – but, more worrying, Soviet defence technology was 'leaping forward' as massive funds were invested in research and development. 'By improving the quality and capability of their forces the Soviets now have a much wider range of options with which to threaten the West. The essence of NATO's stategy of flexible response . . . is that the Alliance must have the capability to counter this threat in whatever form it takes. It is the paradox of deterrence that war can only be prevented by making realistic preparations to fight it; in other words, deterrence must be credible.'

Britain's Contribution to NATO

Britain's wholehearted commitment to NATO was demonstrated by the four roles it carried out within the Alliance, roles that made its contribution the most diverse of all European members. While Britain wished to maintain all these, and was in each case modernising and improving its capability to the limit of available resources, this was placing an undeniable strain on the British economy. Therefore, Mr Nott said, the Government had to strive continuously to exercise the most cost-effective use of the funds allocated to defence.

Independent Strategic Nuclear Forces

Britain's first role was the maintenance of the strategic nuclear deterrent. At present this comprised a fleet of four Polaris submarines which had kept an unbroken operational patrol for years, a fact the Soviet Union knew. The acquisition of its successor, the Trident D5 ballistic missile system (see pp 63-4), would ensure that from the mid-1990s Britain's nuclear deterrent would remain 'credible in the eyes of any potential aggressor well into the next century'. The Alliance would thus retain 'that vital, and purely European, second centre of decision-making that adds so significantly to the uncertainties faced by any aggressor contemplating an attack on Europe'. Trident would also provide the ultimate guarantee of Britain's security.

Noting that there was evidence that more than two-thirds of the people in Britain supported the maintenance of the independent deterrent, Mr Nott said that, contrary to the misrepresentations made by the opponents of Trident, it was not

expensive for the deterrence it provided. Over the years of Trident's introduction, the cost would average only 3 per cent of Britain's annual defence budget, less than 0·5 per cent of Britain's total planned public expenditure. The risks of using a cheaper alternative system were not usually spelt out, Mr Nott added. A system which the other side saw as having little or no chance of reaching targets of importance to him would pose no deterrent threat and was simply a waste of money; and one that was vulnerable to pre-emptive strikes 'would be a positive menace' since it would invite the first strike attack which the strategic deterrent was intended to prevent.

Defence of Britain

The defence of Britain, 'the vital aircraft carrier and reinforcement base for the Alliance', was Britain's second major commitment, Mr Nott explained. Air defences were being strengthened by the introduction of the Tornado F2 interceptor, the retention of existing Phantom squadrons, the arming of Hawk training aircraft with Sidewinder missiles and a major modernisation of the ground radar and control and reporting centres of the United Kingdom Air Defence Ground Environment system. In addition, the expansion of the Territorial Army and the creation of a new volunteer reserve, the Home Service Force (see p 227), demonstrated the British Government's recognition of the vital part to be played by reservists and auxiliaries of all three services in the defence of Britain. As a result of these policies, Britain would become 'a more secure base for NATO reinforcements in tension or war and a platform from which Western forces could operate in support of our allies'. Nevertheless, Mr Nott pointed out, it was in this area that Britain was at its weakest and that more needed to be done.

Maritime Defence

The Secretary of State said that Britain had traditionally provided nearly 70 per cent of the maritime forces readily available to the Alliance in the Eastern Atlantic and the waters around Britain. Early in a conflict, the Royal Navy would play a key role in a full range of maritime tasks, including early deployment in the seas between Britain and Greenland (for which Britain's capability would be enhanced by its new conventional submarine programme); anti-submarine warfare operations in defence of the Alliance's strike fleet and in waters off north-west Europe; and protecting the vital transatlantic reinforcement and re-supply for Europe.

To meet these roles, Britain was engaged in a substantial modernisation programme for its maritime and air forces, spending, for instance, over $1,000 million on naval construction in 1981, the highest total in real terms for 19 years. The new class of anti-submarine warfare/all-purpose frigate, the Type 23 (see p 224) would carry the successor to the Sea King helicopter, giving each frigate the ability to hunt and destroy submarines at long ranges with its own torpedoes. The new helicopter would also operate from land for anti-submarine operations in shallow waters. Britain was also increasing its force of nuclear hunter-killer submarines, to 17, and that of Nimrod Mark 2 maritime patrol aircraft, which, when fitted with the Harpoon missile, had the ability to attack surface ships at ranges of up to 70 nautical miles. The greatest effort in the modernisation programme, however, was in the development of guided weapons, including upgrading the Sea Wolf anti-missile system, introducing the Sea Skua anti-ship missile into helicopters, and bringing into service the Sea Eagle anti-ship missile, which was a generation ahead of the Exocet.

Defence of Central Europe

Turning to Britain's fourth contribution, the defence of Central Europe, Mr Nott said that it would be folly if, as some argued, Britain were to reduce the emphasis it placed on this role in favour of maritime defence. 'There is simply no substitute for adequate defence on the ground. It is all very well saying that the Warsaw Pact are unlikely to risk an attack in Central Europe. Maybe not, but it is there that the greatest concentration of Warsaw Pact forces is positioned.' An attack was unlikely because there were forces in place capable of repelling it. There was no doubt that, in political and military terms, British army and air forces, integrated into the early warning, ground air defence and air combat capability of their allies, were situated 'in the right place for the forward defence of Britain and the Alliance as a whole'. Moreover, it was Britain's 'political contribution to the concept of a free Europe – one which we share as a member of the European Economic Community'.

The need, Mr Nott explained, was not to reduce British forces on the central front but to modernise them 'to enable them to meet and hold a Warsaw Pact thrust'. This would be achieved partly by the new reorganisation of the British Army of the Rhine (BAOR) into three strong armoured divisions, which would allow it 'to contain a thrust by fighting a more mobile battle in greater depth', and also by the introduction of a range of new equipment. On the ground, the number of manned tanks in the Federal Republic of Germany had been increased by more than 25 per cent over the last three years, and the planned introduction of the Challenger tank would allow the creation of two additional armoured regiments, bringing the total to 11. There had also been a threefold increase in the number of medium guns. In the air, improvements included the introduction of the Tornado GR1 into British squadrons based in the Federal Republic (eight will be so equipped), thus bringing a major improvement in NATO's ability to conduct strike and interdiction missions deep behind the enemy front line; the entry into service of the advanced Harrier for ground support; and improvements in air defences, notably improvements to Rapier and the introduction of the tracked Rapier system by the mid-1980s.

Mr Nott also referred to Britain's commitment to provide substantial reinforcements in the defence of NATO's flank areas. This included a contribution of 7,000 men to the British-Netherlands amphibious force earmarked for the reinforcement of northern Norway which was

'a quite crucial element in the successful defence of the Atlantic reinforcement bridgehead'.

The extent of Britain's commitment to NATO, therefore, was not in doubt, Mr Nott said. In 1983 Britain's defence expenditure would equal 5·4 per cent of gross national product, a proportion exceeded within NATO only by the United States and Greece. The Government was also committed to the NATO target of around 3 per cent real annual increases in defence spending up to 1986. The costs of the Falklands campaign would be additional to this, and overall Britain would be spending 10 per cent more in real terms on defence in 1983 than in 1981.

Lessons of the Falklands Conflict

The lessons of the Falklands campaign would not change the direction of British policy, Mr Nott stated, the overwhelming thrust of which would remain geared to meet the threat from the Warsaw Pact. The conflict, however, had produced lessons 'applicable not only to Britain but to the defence policy of the Alliance as a whole'. These were:

1 the need for Britain to maintain balanced forces, for it could not afford to abandon or to severely reduce any of its major capabilities if it were to be able to respond to another challenge to its unique national interests;

2 the vital importance of combat stocks and logistic support, without which ships, aircraft and tanks would be of no use;

3 the scope for making greater use of non-military resources, such as the merchant marine which provided 54 ships from over 30 commercial companies to transport 900 men, 95 aircraft and over 100,000 tons of stores to the operational area, and the need to look at other national assets – buildings, aircraft, helicopters, vehicles – to enhance defence capability for a general war;

4 the effect of modern technology on warfare, particularly as shown by the performance of air-launched guided weapons against both ships and aircraft, of nuclear-powered submarines in neutralising the Argentine fleet and of the Harriers, and the importance of enhanced night-fighting aids and electronic countermeasures;

5 the importance of mobility as demonstrated by the use of helicopters for the quick movement of personnel, stores and heavy equipment;

6 the importance of simple command and controls systems;

7 the need for special forces to undertake intelligence gathering, reconnaissance and diversionary raids; and

8 that success depended above all on the quality of personnel, the superior training, fitness and determination of the British forces having enabled them to overcome more numerous opposition forces occupying strong defensive positions.

Mr Nott also pointed out that the victory in the campaign was achieved without withdrawing any British land and air forces from the Federal Republic of Germany, and that, although substantial naval forces were temporarily withdrawn from the Eastern Atlantic, no more than a third of Britain's frigates and destroyers were actually deployed in the conflict.

Problems within the Alliance

Turning to the now-resolved dispute between the United States and Western Europe on the Soviet gas pipeline,[1] Mr Nott spoke of the need to try and remove any tension that remained, particularly in the field of East-West relations, and for allies to consult one another. 'We do not have to agree on everything, but where there are differences, they should be freely and amicably acknowledged for what they are: hiccups in a relationship that is far too strong to founder.'

On the emerging controversy in the United States over the scale of its efforts in Europe, Mr Nott pointed out that it was well to remember that it was not only numbers, but the perception of change that was important. 'Any reduction, which was perceived to cast doubts on the strength of American commitment to Europe, would serve only to weaken deterrence. It would be greatly welcomed by the Soviet Union. And that outcome could scarcely be in American interests.'

As for the controversy concerning nuclear weapons, and particularly the stationing of intermediate-range nuclear missiles in Europe (see pp 12-14, 1980), Mr Nott said that the heart of the problem lay in public understanding of the facts. 'We in the free world can only pursue policies that have the backing of our people', but there were 'no such constraints upon the governments of the East'. Also it was difficult to explain easily the complexities of modern defence in a few crisp sentences in contrast to the slogans of organisations calling for one-sided Western disarmament. 'We must explain that unilateral disarmament is the enemy of genuine disarmament, not its friend. We all want real disarmament, but it must apply to both sides.'

A third difficulty was the cost of defence, especially of defence equipment, which was rising faster than the growth of economic resources in most Western countries. Although there was no answer to this question yet, Mr Nott said, there was an increasing realisation that the Alliance would have to improve its conventional forces in the face of the growing threat from the Soviet Union. However, the Secretary of State cautioned: 'By arguing for an increase in NATO's conventional capabilities, we must not allow it to be thought,

[1] On 13 November the United States lifted its economic sanctions against certain firms supplying equipment to the Siberian gas pipeline being built to carry natural gas from the Soviet Union to western Europe (see p 266). This followed agreement between the United States and its main allies not to engage in trade arrangements which contribute to the Soviet Union's military or strategic advantage. In addition it was agreed to tighten up existing controls on the transfer of strategic items to the Soviet Union and to establish procedures for monitoring financial relations with the Soviet Union with the aim of harmonising export credit policies. Other parts of the agreement included commitments not to sign any new natural gas contracts with the Soviet Union pending an Alliance study on energy alternatives and not to give any preferential aid to the Soviet economy. The British Government has welcomed the lifting of the sanctions and the broad measure of agreement designed to guide the West's economic approach to the East.

or misrepresented, that such a course enables us to dissociate ourselves from nuclear weapons . . . . While our potential enemies have nuclear weapons, NATO must have the means to deter their use.'

Deterrence, Mr Nott concluded, was about defence capability and, even more so, about resolve. 'Peace is not an accident of history – it is maintained, or otherwise, because our enemies believe that, in the last resort, we will fight to defend our vital national interests.'

European Community

Britain's commitment to membership of the European Community was re-emphasised on 12 November in a House of Commons debate on developments in the Community during the first half of 1982. The Government's views on the development of a genuinely free Community market, covering services as well as goods, and on Community energy policy were set out in speeches by British ministers visiting the Federal Republic of Germany.

HOUSE OF COMMONS DEBATE

Government View

Opening a debate in the House of Commons on the European Community (*Hansard*, Vol 31, No 8, cols 769-828),[1] the Under-Secretary of State for Foreign and Commonwealth Affairs, Mr Malcolm Rifkind, said that the period from January to June 1982 had been one of particular significance, since improvements that had been introduced in the machinery of political co-operation on foreign policy during the British Presidency (see pp 326-7, 1981) had been used to very good effect. Perhaps the most striking evidence of this had been the Community's response to the Falklands crisis. The Belgian Presidency, on behalf of the Community and its foreign ministers, had issued a statement at the outset condemning the Argentine invasion (see p 109). On 10 April the Commission itself had repeated that condemnation and thereafter the Community had unanimously imposed a ban on Argentine imports and a total arms embargo. This 'unprecedented response', said Mr Rifkind, had 'made a significant contribution to Britain's negotiating and diplomatic position in the early stages of the crisis'. More recently, further evidence of the value of political co-operation had been seen when the United Nations General Assembly voted on 4 November on the Falklands issue (see pp 349-53). With the exception of Greece, Britain's Community partners had abstained on the Argentine resolution at a time when some of Britain's other allies had felt unable to do so.

[1]The debate was on the White Paper, *Developments in the European Community January to June 1982*. Cmnd 8669. HMSO, £3·40. ISBN 0 10 186690 9.

Political co-operation had also worked in other spheres, for example, when the Community issued a co-ordinated response condemning the imposition of martial law in Poland (see pp 9-10) and subsequently agreed on certain economic measures against the Soviet Union as well as on the provision of humanitarian aid to the people of Poland.

Luxembourg Compromise

During the same period, however, certain matters had arisen that were more serious and harmful from Britain's point of view. The British Government had made no secret of its 'serious concern' about the Agriculture Council's vote in May to increase agricultural prices contrary to Britain's wishes and without unanimity having been achieved (see pp 192-5). The Foreign Secretary had left Community members in no doubt about the British view that if any member state considered that important interests were at stake, discussion had to continue until unanimous agreement was reached. At a subsequent Council meeting, not only Britain but two other member states had agreed without any reservation, and two more had agreed with only minimal reservations, on the need for the Luxembourg compromise to continue as the basis on which Community decisions were reached.

Budgetary Reform

At the same time a decision had been taken on Britain's refunds from the Community budget for 1982. Over the last three years, said Mr Rifkind, there had been some £2,000 million worth of refunds to Britain as a result of successful negotiations. This had been of 'substantial benefit' and had made an 'important contribution towards ameliorating some of the difficulties that [had] arisen in regard to the Community budget'. However, the long-term problem of the budget still remained and Britain was anxious that 'substantial and early progress' should be made in its resolution. 'We cannot emphasise too strongly that the health and dynamism of the Community require an early solution to the problem that will be satisfactory not only for the United Kingdom but for all our partners in the Community. It is in the interests of the Community as a whole that the problem be resolved in the very near future if the health of the whole Community is to be ensured in the way that we all wish.' Britain had never sought to suggest that the Community should be a community of partners in which every state received back exactly what it put in. Few people disagreed that, if any general principle of redistribution were to apply, it should be on the basis of redistribution from the more affluent to the less affluent members of the Community.

Enlargement

The accession of Spain and Portugal, Mr Rifkind said, was an important political objective which should be implemented as soon as practicable, not only for the health of the Community but also in order to support and strengthen the democratic nature of the Spanish and Portuguese Governments.

Trade

Commenting on the Community's trade relations with the outside world, Mr Rifkind referred to the agreement with the United States on the export of steel products (see p 348), which had resolved a problem that could have seriously damaged Britain's steel industry. He urged the Community in the months ahead to emphasise the 'values and virtues of the free trading system' that had grown up since 1945. Warning about the dangers of protectionism, which had seriously damaged the economies of some countries in the 1930s, Mr Rifkind said that liberalisation of trade in the 1950s had coexisted with unprecedented prosperity for industrialised countries. The principle of a free trading system throughout the world was essential to Britain's interests and to those of the Community.

As to trade within the Community, for many years free trade in manufactures had grown. Many people believed that there was a strong argument for better progress to be made on achieving free trade in the service industries, which were an essential part of Britain's economy. 'There is no reason why freer movement in services should not be part of the Community's normal activities.'

Social Policy, Industry and Agriculture

Nor should the 'important contribution' that the Community could make to wider economic issues, including unemployment, be ignored. Both the social fund and the regional fund had been of considerable benefit to Britain, which was the second largest recipient of assistance. There was a powerful case, Mr Rifkind said, for increasing the proportion of Community expenditure on the two funds, and for widening the range of areas for which application could be made (see also pp 345-7).

There was room too for 'a more European approach' to industrial co-operation and specialisation. Where appropriate, specialisation 'could ensure a complementary industrial strategy rather than one that [was] mutually damaging'. There had already been progress in the man-made fibres industry and significant progress could be made in the new technological industries.

On agriculture, Mr Rifkind pointed out that there was strong agreement in both Government and Opposition that the Common Agricultural Policy must be reformed in the interests of Britain and for the good of the Community. Some progress had been made for, since 1979, Community expenditure on agriculture had fallen from about 80 per cent to 66 per cent of the budget, and the Government hoped that the downward trend would continue. Although the agricultural policy had been good for farmers, had stabilised prices and had helped Britain to achieve greater self-sufficiency in some temperate products, the structural imbalances with surpluses and the expenditure incurred in their disposal were unattractive features of the system. The European Commission had said that reform was necessary.[1]

[1]In November the Commission called for the development of Community policies in areas other than agriculture. Without this, it recognised, the reasons for the budgetary refunds made to Britain for the period from 1980 to 1982 would continue to exist.

Benefits of Community Membership

Concluding, Mr Rifkind referred to inward investment in the Community, and the fact that 60 per cent of American international investment in it was in Britain, as one manifestation of the desirability of Britain being in the European Community. United States, Japanese and other investors in Britain had 'made it abundantly clear several times that Britain's membership of the Community was one of the major factors in persuading them to come here'. Furthermore, about 2·5 million people employed in Britain were involved in trade with other Community countries, this representing about 43 per cent of Britain's overall trade. To suggest that the interests of those people would be advanced by Britain's withdrawal from the Community was 'a most short-sighted approach'.

'The Government believe that since the second world war the European Community has been the most stimulating and imaginative development in Western Europe this century. It represents a welcome co-operation among the democratic states of Europe... The interests of the United Kingdom... continue to point firmly towards Britain's membership of the Community. Successive Governments have pursued that policy, and in my view it is overwhelmingly in the interests of the British public that that policy should be maintained.'

Opposition Views

Speaking for the official Opposition, Mr Guy Barnett said that on the question of the Luxembourg compromise it was still not known what, if anything, the Government intended to do to guarantee the right of veto, on which assurances had been given both before Britain joined the Community and during the 1975 referendum.

Turning to economic matters, Mr Barnett noted that in the first half of 1982 Britain had become a net importer of finished manufactured goods and that in June 1982 employment in manufacturing industry was 20 per cent lower than it had been three years before. It was against that background, he said, that Britain should assess its membership of the Community. With regard to agricultural policy, Mr Barnett said the Government had pursued 'a deliberate dear food policy' resulting in record surpluses. This year the Community would spend £2,800 million on subsidising exports, £1,400 million on disposing of surpluses within it, and a further £1,000 million on storage and administration.

Political co-operation, Mr Barnett said, had achieved very little of substance. While the world was confronted with problems of East-West tension, the erosion of détente, the failure of the North-South dialogue, and the prospect of starvation facing hundreds of thousands in the Third World, the Community was arguing about budget contributions, farm prices, fisheries, aids to industry, and a host of other problems, most of which could be better settled in a national context. As for Britain's contribution to the Community budget, Mr Barnett noted that months of negotiations had ended in an 'unsatisfactory short-term agreement'. After 10 years of Community mem-

bership, most people had lost any hope of a serious reform of the Common Agricultural Policy.

The Liberal Party spokesman, Mr Russell Johnston, said that if Britain withdrew from the Community it would have to surmount the common external tariff barrier, thus causing severe damage to British industry, especially the more successful parts such as high technology. The European Community was about the end of war, although not of argument, and was a hopeful working together. It would be a tragedy if it were brought to an end.

Speaking for the Social Democratic Party, Mr Christopher Brocklebank-Fowler referred to the great opportunities that lay ahead if the people of Western Europe could co-operate in a more constructive way. Britain, through its membership of the Community and the Commonwealth, and its relationship with the United States, had a particular role to play in getting the international community to deal with the important problems of international debt and liquidity which were substantial barriers to the expansion of trade.

Government Reply

Replying for the Government, the Minister for Trade, Mr Peter Rees, said the debate had served a useful purpose, for it was right that the House should return regularly to the great issues which concerned it both inside and outside the Community. Mr Rees noted that Britain's service industries, in which three out of every five people employed in the country worked, made a 'massive contribution' to its trade balance, which it was impractical and unrealistic to disregard, and that Britain's continuing balance of payments surplus with the Community in the first nine months of 1982 demonstrated, as the Government had anticipated, that there would be 'solid economic benefits' for Britain from its relationship with the Community. Britain had also had a balance of payments surplus with the Community of £1,182 million in 1980 and £610 million in 1981.

Commenting on preparations for the General Agreement on Tariffs and Trade (GATT) ministerial meeting in Geneva (see p 401), Mr Rees said that, given that the Community disposed of a far greater proportion of world trade than either the United States or Japan, it would have to reaffirm and strengthen its commitment to the open trading system that had served it so well since the second world war, but which was now threatened with collapse. He hoped that the conference would stem the 'rising tide of unthinking protectionism', and said that Britain would make a more significant contribution as part of the Community than it could as a lone voice.

Reaffirming Britain's commitment to membership, Mr Rees said that the Government preferred to stay within the Community, which was its fastest growing export market, a free trade bloc of 270 million people, with whom 40 per cent of British trade was now done.

A FREER INTERNAL MARKET

In his speech in Bremen on 16 November, the Minister for Trade, Mr Peter Rees, said that the Community was dedicated to 'creating an economic and political market of the historic countries of western and southern Europe and to encouraging the freest possible flow of goods, services, capital, people and ideas within that market'. In May 1981 the European Council had agreed to strengthen and develop the free internal market in goods and services, and the implementation of this fundamental European principle was a high objective of British policy. It formed an essential element in the strength and influence of the European Community which was the cornerstone of Britain's international policies. Moreover, member states needed the security of the Community more in times of recession, and perfection of the common market was an objective on which the whole Community could unite.

Services

The removal of barriers to trade in invisibles had been too slow, Mr Rees emphasised. 'For instance, there was laborious progress in the last decade in laying down harmonised rules for the supervision of insurance. Now at last there is universal supervision within the Community to common standards, giving effective freedom of establishment. The next step must surely be the opening up of national markets to insurers from other member states – in other words the freedom to provide services all across the Community. A truly liberal non-life insurance services directive should therefore, in our view, be the next step to opening up the Community insurance market.' The supervisory rules of the Community and the enforcement of the necessary national laws offered a secure foundation for a free Community insurance market and no additional Community controls were warranted especially for big industrial, commercial and professional risks. 'Officials should be chary of dictating terms to the market. Freedom of choice for the insured should be a paramount consideration.'

Turning to air services, Mr Rees said that, although Britain had initiated and supported measures to relax the present tightly regulated system, progress had been slow because of national protectionist pressures, and European air transport remained 'uncompetitively restrictive' (see pp 328-9, 1981). Mr Rees continued: 'Aviation has grown into a mature industry and should not now need the protective care with which we surrounded its infancy. I am not talking about total de-regulation . . . but reforms and a measure of liberalisation . . . to allow, for a start, innovation in the structure of fares and route entry within the Community.' Efficient air services were essential to the full development of European trade and the Community itself. 'By easing travel and the flow of tourists and visitors we could help foster the European ideal. This must be based again on freedom to offer what the customer wants at the right price.'

Internal Trade

Mr Rees stressed the determination of the British Government to ease the flow of intra-Community trade. 'Moving goods physically from one part of Europe to another across national frontiers is still

far too much of a problem. Delays at these frontiers add significantly to costs. It has been calculated . . . that the elimination of these barriers could save £203 million per annum'. Freight lorries could not move freely across frontiers. 'A system by which member states issue permits for lorry movement is out of step with the ideal of a unified internal market. The problems are more likely to increase . . . if further effort is not devoted to the simplification and perhaps ultimate elimination of these checks and obstacles.' Simplification of formalities and inspections at frontiers, shorter waiting times and express roads for transit traffic would all offer obvious benefits to traders and to the Community as a whole. The Government therefore welcomed the European Commission's current proposals for the simplification of customs documentation, and improvements had been made in British customs procedures in order to speed both imports and exports.

Progress towards reducing paper documentation, said Mr Rees, would ultimately depend on developing and applying information technology, which Britain supported at Community and national levels. The British port of Felixstowe was going ahead with the introduction of a sophisticated computer system for customs clearance leading to a full cargo control and information system.

Commenting on the problem of technical barriers to trade, Mr Rees supported the wider mutual recognition of certification of technical approvals at Community level. 'A greater transparency of technical standards and regulations would also help significantly to reduce barriers to trade.' Britain had also supported efforts within the Community which could lead to the wider use of unified European standards. The Government had recently published its views on the important relationship between standards, quality, and international competitiveness (see pp 272-4); if progress could be made in this field, the Community's industry would benefit in world markets, and the barriers to trade caused by national standards within the Community could be limited.

Summing up, Mr Rees said that a genuine free internal market would sharpen the competitiveness of member states' national industries and enhance the Community's credibility in calling for freer international trade.

External Trade

After discussing the problems of the world recession and the consequent pressures for protection and a retreat from the multilateral trading system, Mr Rees said that the Community was a very open market and that many of the newly industrialised countries had been accorded free or relatively free access for their products while building up their domestic industries behind considerable protective barriers. Community exporters were not afforded comparably free access to important overseas markets. World shipping was also under serious threat from a number of developing countries who, to protect their own merchant fleets, were seeking to exclude or seriously restrict the operation of third country flag carriers in their bilateral trade. Because some 90 per cent of trade between the Community and the rest of the world went by sea, this was a matter of concern to member states. In order to foster a competitive environment in world shipping, it was crucial that Community shipping lines should be in a condition to compete on a commercial basis.

Mr Rees concluded: 'We must continue to work for the elimination of trade barriers at home in the internal market and abroad in the world outside. We must make it clear to our fellow Europeans that the open trading system is not something just to be enjoyed in the years of expansion, that it is important, perhaps even more important, to strengthen it in difficult times. We must stress that it benefits not only those whose jobs depend on exports but all of us as consumers.'

ENERGY POLICY

Speaking in Düsseldorf on 29 November, the Secretary of State for Energy, Mr Nigel Lawson, said that it was essential that prices for energy reflected the costs of maintaining supplies. Since the Council of Energy Ministers had endorsed this approach in 1981, it was up to all member states to see that this principle was put into practice.

As a net exporter of both oil and coal, Britain had a special contribution to make in meeting Europe's energy needs; in 1981 over half its oil exports had gone to the Community as had over 80 per cent of coal exports. The price of Britain's oil was determined not by government decree but in response to market forces. Other member states enjoyed access to these resources 'on exactly the same terms as the United Kingdom itself', and Britain had always welcomed companies from other Community countries as licensees in the North Sea. Moreover, Britain had a commitment to the Community in the event of an oil shortage in addition to its wider obligations under the International Energy Agency's emergency allocation scheme. The Government had also agreed to Community procedures for consultation should the oil market be temporarily disrupted.

Turning to the Community's coal resources, Mr Lawson said that, if coal was to play its part in reducing dependence on oil and increasing flexibility and security of supply, it had to be produced economically within the Community. 'Such coal has the same strategic value as oil or gas. The Community has substantial reserves, and should recognise the contribution that members such as Germany and the United Kingdom are making, by sharing some of the financial burdens.' He suggested that several measures were needed to support greater production of Community coal – increased interest relief on investment, more assistance for the rationalisation of existing capacity, and new schemes to help finance stocks, to reduce the environmental impact of coal mining and to deal with the use of coal, its transport problems and the scope for imports.

Britain's gas reserves could also play a role in enhancing the Community's security of supply, although at present production was well short of British needs. If further large discoveries of British North Sea gas were made, however, the possibility of gas exports to continental Europe would cer-

tainly arise. Mr Lawson added: 'As a result of this year's legislation which ended the state gas corporation's monopoly over our internal market (see pp 46-7), companies now have a real incentive to explore for and produce more gas in British waters.' Britain also understood the arguments for gas-importing countries to diversify their sources of supply and was ready to help transmit foreign gas to the Community.

Co-operation on nuclear power, Mr Lawson observed, was well established through the European Atomic Energy Community (Euratom). Both Britain and the Federal Republic of Germany had made important commitments to nuclear power and had participated with the Netherlands in the centrifuge, the most modern and economic industrial process for separating uranium isotopes and 'perhaps the most successful example anywhere of international technical co-operation'. Noting that Britain, the Federal Republic of Germany and France were party to an arrangement under which they exchanged scientific knowledge about the reprocessing of nuclear fuels, Mr Lawson said that links could be extended into the fast reactor field.

Middle East

Israel's invasion of Lebanon, its effect on the Arab-Israel dispute, and recent peace initiatives were discussed by the Foreign and Commonwealth Secretary, Mr Francis Pym, in a speech in London on 30 November.

Mr Pym, who was addressing the Conference of Jewish Leaders from the Commonwealth, said that, while many other disputes and conflicts were taking place in the Middle East, notably the full-scale war between Iran and Iraq, the potential consequences of which were very serious, it was the Arab-Israel problem about which the international community had for many years been most deeply concerned. All British Governments had paid special attention to Israel's rights and interests when forming their Middle East policy.

Paying tribute to the health of Israel's democracy, which had been proved once again by the establishment of the commission investigating the massacres in Beirut (see pp 317-19), Mr Pym said that very few countries in the world had the courage or the confidence to subject their Government's actions to public scrutiny in this way.

The Elements of a Peace Settlement

Israel's security, said Mr Pym, was fundamental to British policy in the Middle East. Only Israel could decide what was in its own security interests, and Israel was right to test all peace proposals by this essential criterion. 'We recognise that there can be no comprehensive peace settlement until the Israeli Government and people are satisfied that it offers them a better, and more secure, future.' The Camp David agreements (see pp 352-5, 1978) had passed this test, the Egypt-Israel treaty being a historic achievement that had proved durable despite the subsequent upheavals. The return of the last part of the Sinai was a testimony to the courage and resolve of the Israeli Government, and Britain was glad to be playing a 'modest part' along the border in Sinai by its participation in the Multinational Force and Observers (see pp 157-8). It was vital that peace between Egypt and Israel should stand the test of time.

Mr Pym said that many people had hoped that success in negotiating peace between Egypt and Israel would provide the foundation for a comprehensive peace settlement between Israel and its other neighbours, which would bring about the 'resolution of the Palestinian problem in all its aspects' hoped for in the Camp David agreement. But that part of the agreement aimed at a wider settlement through the autonomy talks had proved very difficult to carry forward, for many reasons. Interpretations of the concept of autonomy differed widely, and the talks were also handicapped from the start by the refusal of the Palestinians themselves to join in them, which meant that the future of the Palestinian people was being discussed in their absence. This was why Britain believed that something more was necessary if the breakthrough to a wider peace was to be achieved.

In Britain's judgment, real peace between Israel and its neighbours could only be achieved when the two basic issues of providing real assurances to Israel about its security and the root cause of Palestinian bitterness were both tackled together. Both sides lacked confidence: the Israelis, in a peaceful future, without solid evidence and guarantees of goodwill; the Palestinians, that the Camp David process would ultimately satisfy their political aspirations. The Palestinians were worried that the limited nature of the autonomy that Israel apparently envisaged 'might turn out not to be a transition but the end result'. Britain, said Mr Pym, had no doubt that the Palestinians as well as the Israelis had legitimate political rights and that the rights of both had to be recognised in a successful peace settlement. There was no question of any legitimate challenge to Israel's right to exist as a fully-fledged state. But the Arab side had to accept, and Britain was constantly pressing it to accept, Israel's right to live in peace and security behind recognised borders.

On Palestinian rights the Foreign Secretary said that Britain and its European partners had used the term 'self-determination', which had been much misunderstood, not least in Israel, where it was taken to imply a Palestinian state hostile to Israel's interests. 'What we mean by it is that circumstances must be created in which the Palestinian people, through a choice of their own, can express their political aspirations and sustain their political identity. Clearly this expression of identity could take various constitutional forms. President Reagan's proposal for self-government in association with Jordan is one. A state is obviously another.' It would be illogical, said Mr Pym, for the ten countries of the European Community to rule out the latter, having supported the Palestinians' right to choose.

In Britain's view, Palestinian self-determination, far from being incompatible with Israeli security, was an 'essential part of a just and lasting peace settlement'. Unless a peace settlement offered the Palestinians 'the prospect of running their own affairs in freedom and dignity' after a transitional period, it would never win their support. Without it, no peace settlement could last and thus give Israel the real long-term security it so badly needed.

Israel's Invasion of Lebanon

Mr Pym said that Israel's invasion of Lebanon had made a long-term solution more difficult to achieve. Although Israeli forces had succeeded in removing the Palestine Liberation Organisation (PLO) fighters well away from Israel's borders and dispersing them (see p 285), the long-term effect on the PLO remained to be seen. 'In these days . . . secure borders are less a matter of kilometres than of a will among neighbours to live in peace.'

The Foreign Secretary said he did not propose to rehearse the arguments about Israel's invasion of Lebanon. He had made clear the British Government's views on Israel's policies and had been criticised for it by some of Israel's supporters in Britain. But he believed that relations between free and democratic nations should be conducted on a basis of frankness both when they agreed and when they disagreed. 'The urgent task now is to bring about the withdrawal of all foreign forces as soon as possible, to enable [Lebanon] once more to run its own affairs without interference from any quarter.' Although Israel was committed to withdraw from Lebanon provided that its security interests were protected, Mr Pym hoped that it would expedite the negotiations now under way. There was nothing to be gained by a continuing military presence there.

The harrowing experience of war, said Mr Pym, could, however, act as a catalyst for renewed efforts to achieve a more peaceful ordering of affairs, and the war in Lebanon had been no exception. 'I see a ferment of new ideas on all sides for solving the Arab-Israel confrontation, not least in Israel. It is a tribute to Israel's healthy democracy that the vital question of the relationship between Israel's security and the continuing occupation of the territories captured in the 1967 war should be so fully debated at present throughout Israeli society.'

Recent Peace Moves

Britain had welcomed the United States peace proposals (see pp 285–6) because they built upon the groundwork laid in earlier peace proposals, offered a practical way of making progress and safeguarded the vital interests of all concerned. Britain also welcomed King Hussein of Jordan's 'courageous effort' in beginning talks with the PLO on the difficult problems that would need to be solved if negotiations were to be possible. There were no easy answers to these problems but Mr Pym was encouraged that Jordan and the PLO had made a start at facing them together.

On the Arab proposals made at the Fez summit (see p 286), Mr Pym said that, although Britain could not accept all it contained, the Fez declaration, as a set of negotiating objectives, showed that the Arabs were now agreed that it was time to devote their energies to a political solution to the Palestinian question. The Fez principles were insufficiently clear on one crucial aspect: they 'failed to confirm explicitly Israel's right to live in peace and security in the context of a settlement which also met Palestinian aspirations'. Britain had left the Arabs in no doubt that, in view of the history of Arab-Israel relations, a 'clear statement of this kind' was 'absolutely necessary' if negotiations were to begin.

Turning to the part the PLO would play, Mr Pym said that notwithstanding recent events in Lebanon, it was a fact that very many Palestinians looked to the PLO as their spokesman, and the Arab world looked to the Palestinians to make their own decisions about their future. The British Government had a clear attitude to the PLO and had used its contacts with that organisation to impress upon it 'the need to make a clear statement accepting Israel's rights and confirming their rejection of terrorism' if they were to be admitted to the negotiating table. Britain had been consistent in its policy on this and would continue to press Israel, equally, to demonstrate its readiness to accept legitimate Palestinian rights.

Some Arab reactions to the United States proposals had been 'disappointingly negative', said Mr Pym, although a considered Arab reaction was still to come, and Israel should not close its eyes to the signs of movement to which he had referred. He had been disappointed, too, by the reaction of Israel, which had not accepted them even as a basis for discussion. The Israeli Government had also not complied with the call of the United States President, Mr Ronald Reagan, for a freeze on settlements in the West Bank and Gaza, and was establishing new ones.[1] Mr Pym emphasised that this action did a profound disservice to the cause of peace. 'The attempt to change the *status quo* in the territories which Israel occupies does more than anything else to undermine confidence that Israel truly seeks a peaceful accommodation with her Arab neighbours.' He was aware of the strong feeling of many Israeli Jews that they had a historical right of settlement in the occupied territories; but the Palestinians already living there also felt strongly that their identity as a people was being eroded. Some Israeli sources estimated that as much as half of the West Bank was now denied to its Arab inhabitants, and with each new settlement despair deepened.

[1]Israel has occupied the West Bank, Gaza and the Golan Heights since the 1967 war (Sinai having been handed back in stages by 25 April 1982 under the terms of the Egypt-Israel Peace Treaty of March 1979 – see pp 156–7). Since 1967, about 25,000 Israelis have settled in the West Bank (to which they refer by its Biblical names of Judea and Samaria) in about 110 settlements, more than half of which have been established since the present Israeli Prime Minister, Mr Menachem Begin, came to power in 1977. Mr Begin's Government has stated that there is no question of relinquishing control over the West Bank and Gaza. In his peace initiative in September, President Reagan called, *inter alia*, for a freeze on settlements during a transitional period leading to a final status of 'self-government in association with Jordan'. This was rejected by Mr Begin, who on 5 September announced the establishment of eight new settlements on the West Bank.

This was why a settlement freeze was so necessary and so urgent. Mr Pym expressed the hope that, on further reflection, both Israel and the Arabs would respond to President Reagan's proposals and seize the chance to start a new peace-making process, which could lead to a durable peace settlement and hence to long-term security for Israel.

The alternatives, concluded Mr Pym, were sobering: 'Sooner or later, failure to find a peaceful settlement will surely result in further war, with all the horror and suffering of that, as well as threatening the security of the whole region. . . . It is to avoid all these unacceptable alternatives that we shall do whatever we can to continue the search for peace and security for all. The price of failure is too high for us to follow any other course.'

Shorter Notes

DEATH OF PRESIDENT BREZHNEV

Mr Leonid Brezhnev, President of the Soviet Union since 1977 and General Secretary of the Soviet Communist Party since 1964, died on 10 November. On 12 November Mr Yuri Andropov was elected by the Central Committee to the post of General Secretary.

In a message of condolences delivered on 11 November to the Chairman of the Soviet Union's Council of Ministers, Mr Nikolai Tikhonov, the Prime Minister, Mrs Margaret Thatcher, said that the late President's 'wide-ranging and long experience in different fields of public life' would be a serious loss to the Soviet Union. 'The consequences of his death will be felt far beyond the frontiers of his own country.'

Referring to the change in leadership in a television interview on 12 November, the Secretary of State for Foreign and Commonwealth Affairs, Mr Francis Pym, said that it presented 'a very important opportunity' for the West to try and 'create a more constructive relationship with the Soviet Union'. He continued: 'We want to see the Russians match in deed what they have been speaking about in words. We want to see a lower level of arms. We want the efforts being made towards détente actually to work. They have said they wanted to have détente and they believe it, but their deeds have not so far matched up to these words. Now we want to do what we can to encourage them to go down the road of détente and to take a different attitude from that which they have taken so far.'

AID TO INDIA

An agreement worth £110 million was signed on 17 November between Britain and India for the development of a new power station at Rihand in central India. This is the largest aid project so far financed by Britain in India.

The amount, on grant terms, will include £33 million from the bilateral programme, £17 million from the Aid/Trade provision,[1] and £60 million in local costs. Most of it will be provided over the next three years. An additional grant of £7 million from technical co-operation funds will provide consultancy services for design, construction, operation, maintenance and training.

India is the biggest single recipient of British aid and in 1981 Britain provided a record £169 million, all on grant terms. Britain is also a major contributor to the World Bank and United Nations aid programmes of which India is a major beneficiary. Recent British aid has included nearly £88 million for two large new fertiliser plants at Thal and Hazira, for which Britain is providing boilers, and £16 million for machinery for Indian coal mines. Britain is also providing technology for a foot and mouth disease vaccine plant with aid worth £6 million. Other grants include £10 million for a family welfare project in the state of Orissa, and £14·75 million for urban and rural housing in various locations.

Britain's programme of technical co-operation with India is worth some £7 million annually and covers a wide range of activities. Projects may involve visiting experts and consultants, equipment, and training awards in Britain. In March 1982 nearly 100 projects were in hand, under consideration or in prospect in the fields of industry, science and technology, natural resources, urban development and education. The training programme for India is the largest in Britain's aid programme and accounts for roughly one-third of Britain's technical co-operation with India.

Source: Overseas Development Administration press release, 17.11.82.

AID TO BANGLADESH

Britain is to provide £27·36 million in grant aid to Bangladesh, under two agreements announced by the Overseas Development Administration in November.

The first agreement is for a new irrigation project to increase food production and help Bangladesh achieve self-sufficiency by the middle of the 1980s. Britain is co-financing the project with the International Development Association, and the British contribution comprises £15 million for the purchase of irrigation equipment and up to £2·36 million for consultancy services. Over the next four years it is hoped to install 4,000 new deep irrigation tubewells to the north of Dacca, directly benefiting about 300,000 farming families through increased agricultural production and higher earnings. More intensive land use will also increase the demand for labour. As a result, the

[1]Under this provision of the aid programme, money is set aside to assist British firms to secure projects in developing countries to which Britain does not normally provide aid or where the planned allocation is already committed; such projects must be developmentally sound and be of industrial or commercial importance.

poorest sections of the rural community in the project area should benefit.

The second agreement is for a £10 million commodity aid grant to be used by Bangladesh for the purchase of raw materials, spare parts and equipment to assist economic development. The money is likely to be spent in sectors such as jute, steel, transport, engineering and agriculture.

Bangladesh is the second largest recipient of British bilateral aid, the amount provided in 1981 being £34 million. Current projects include railway and tea industry rehabilitation, fish culture, a power station water demineralisation plant and a sugar mill. Also included is a substantial amount of commodity aid, aimed essentially at the provision of spare parts and replacement capital items in important sectors of the economy. Technical co-operation activities complement many capital aid projects and also include assistance with rice, livestock and telecommunications development. There is a regular programme of visits by British personnel in the medical sector and also to answer short-term needs as they arise. A substantial number of awards are available each year to Bangladeshi students for study in Britain.

Source: Overseas Development Administration press release, 19.11.82.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Economy

A rise of £260 million in spending on two recently introduced schemes to reduce unemployment – the community programme and the job splitting subsidy – was among the revised public expenditure proposals for 1983-84 put before the House of Commons by the Chancellor of the Exchequer, Sir Geoffrey Howe, in his autumn economic statement on 8 November.[1] There was also a proposal to reduce the National Insurance surcharge, which would benefit private industry by some £700 million. The Prime Minister, speaking in the Guildhall on 15 November, drew attention to Britain's realistic approach to economic problems but expressed the Government's great concern at the continuing high level of unemployment.

ECONOMIC STATEMENT

The Chancellor was making the customary autumn announcement on the Government's plans for public expenditure and changes in National Insurance for the forthcoming financial year. He was also publishing the economic forecast, as required by the Industry Act 1975 (see p 487, 1975).[2] In response to an initiative by the House of Commons Select Committee on the Treasury and Civil Service, the two were now being brought together in a single statement.[3]

Sir Geoffrey said that, during the past year, monetary conditions had held down price increases, with substantial progress being made against inflation. In January the annual rate of inflation had been 12 per cent; it was now around 7 per cent, and the Government envisaged a rate of 5 per cent early in 1983. Interest rates had fallen even more sharply. He pointed out that the Confederation of British Industry had calculated that each percentage point fall in interest rates benefited industry by about £250 million a year. 'We shall continue to maintain downward pressure on the monetary aggregates to achieve further success in the battle against inflation', the Chancellor assured the House. 'Interest rates will continue to reflect the indicators of monetary conditions which I described in my Budget speech' (see p 116).[1]

The forecast suggested an increase of 1·5 per cent in gross domestic product (GDP) in 1983, similar to the rate expected for most other industrialised countries. Unemployment remained Britain's 'most distressing problem'. As in other countries, it was expected to go on rising in 1983 but with the increase moderated as output picked up in response to the fall in inflation and interest rates.

Public borrowing remained under firm control, which was one reason for the fall in interest rates. The Government expected the public sector borrowing requirement (PSBR) in 1982-83 to be within the figure of £9,500 million given at the time of the Budget (see p 117). The forecast suggested that the scope for tax reductions in 1983-84 would be of the same order as had been indicated in the Budget. That was on the basis of conventional assumptions on the raising of direct taxes and excise duties in line with the rate of inflation; it also assumed the same relationship of the 1983-84 PSBR to GDP as had been assumed at the time of the Budget and took into account the decisions now being announced.

Planned public expenditure in 1983-84 was a little lower in real terms than the planned outturn for the current year and also lower as a proportion of GDP – 44 per cent compared with 45 per cent. Planned expenditure for 1983-84 was just over £120,000 million, slightly lower than the provisional figure published at the time of the Budget (see p 124). For the first time since 1977 a government had been able to prevent expenditure plans for a particular year being raised in the annual review. Increased spending on programmes such as social security, health and personal social services, employment, housing, urban development, law and order and defence would be more than offset by savings elsewhere.

The social security programme had been adjusted to take into account the rapid fall in the rate of inflation. Benefits were raised in November by 11 per cent (see pp 136-9); this represented an increase well above the current rate of inflation, even after allowing for the 2 per cent extra

[1]A summary of the statement appeared in the November edition of *Survey of Current Affairs* (see p 355).

[2]*Hansard*, Vol 31, No 4, cols 313-25.

[3]*Autumn Statement 1982*. HMSO, £3·80. ISBN 0 10 201083 8.

[1]Although bank base rates rose slightly in late November they remain well below the levels of a year ago.

to compensate for the shortfall in 1981 (see p 16), but an adjustment would be made in the 1983 uprating. The provision for health and personal social services would be raised by £142 million.

Expenditure on employment would rise by nearly £170 million. Additional gross expenditure of £260 million on two recently introduced special employment measures – the community programme and the job splitting subsidy (see pp 268-9) – would be partly offset by savings elsewhere in the employment programme.

The provision for housing would be increased by about £50 million and there would also be a continuing high level of receipts from council house sales. More money would be made available for the urban programme including the London and Merseyside Urban Development Corporations (see pp 27-8). This would 'represent a significant new boost to the construction industry'.

Another £96 million had been allocated to law and order programmes, mainly the police and the prison service.

An increased provision for defence of £622 million was necessary because of extra costs following the Falkland Islands action; it would finance purchases of equipment to replace losses incurred and would 'ensure the future security of the Falkland Islands'. The increase was over and above Britain's commitment to the target laid down by the North Atlantic Treaty Organisation of an annual rise in real spending of 3 per cent (see p 169, 1981).

Economies had been made elsewhere to secure these increases. Expenditure on the European Community would be £150 million lower because of revised net payments to Community institutions. A reduction in planned spending of £391 million would occur as a result of the cut in the National Insurance surcharge (NIS – see below). Proceeds from special sales of assets would be £150 million higher while the contingency reserve would be reduced by £2,500 million, which would be allocated to individual programmes.

Full details of public spending plans for the three years 1983-84 to 1985-86 would be set out in the public expenditure White Paper to be published early in 1983.

The rates of National Insurance contributions and the earnings limits for 1983-84 were being changed. If the Government were fully to balance the National Insurance fund in that year, increases in the contributions of both employers and employees of nearly 0·4 per cent would be required. However, as the Government was 'anxious both to minimise additional burdens on industry and to diminish the effects of contribution increases for employees', it had decided to limit the increases to 0·25 per cent in each case – from 10·2 per cent to 10·45 per cent of relevant earnings in the case of employers and from 8·75 per cent to 9 per cent in the case of employees. Contributions would be payable on that part of weekly earnings within the range £32·50-£235 instead of the existing £29·50-£220. (The maximum figure permitted by statute to which the upper limit could have been raised was £245.) The combined result of these measures was that, in 1983-84, contributors would pay into the fund just over £200 million less than would have been required fully to balance it.

Turning to the NIS, the Chancellor said that it had 'long been criticised, and rightly so, by commerce and industry'. It had raised production costs, was not rebatable on exports and either raised prices or reduced profits. Following the reduction, announced in March, of private sector employers' contributions from 3·5 per cent to 2·5 per cent (see p 118), Sir Geoffrey continued, he was now able to announce 'another substantial step in the right direction', a reduction of the rate for 1983-84 to 1·5 per cent. Although the public sector would not gain from the change, the benefit to private employers in 1983-84 would be around £700 million, which would more than offset the increase in costs arising from the changes in contributions and earnings levels. In addition, private sector employers would benefit in 1982-83 by about £350 million – the equivalent of a 0·5 per cent reduction in the NIS for the whole year – by reductions in their contributions and NIS payments.

In commending his statement to the House, the Chancellor said that it 'demonstrates that we are determined, within the framework of our monetary and fiscal policies, to continue to do what we can to relieve the burden of taxation so as to move towards renewed growth and more employment'.

PARLIAMENTARY DEBATE

Opposition Views

For the official Opposition, Mr Peter Shore said that, 'apart from a couple of cosmetic touches to the National Insurance surcharge', the Chancellor had done virtually nothing to face the challenge of the recession. He felt that Sir Geoffrey had been wrong to claw back the overpayment of social security benefits and that he ought to abolish the NIS in his 1983 Budget. According to Mr Shore, the statement 'builds upon a record of failure, offers no prospect to the country, and shows that the Government have not even begun to understand what is needed to tackle the problem that they face'.

Speaking for the Social Democratic Party, Mr Roy Jenkins argued that it would have been far more helpful to abolish immediately the NIS, which he regarded as 'a jobs tax', rather than to wait until the next Budget to give personal income tax concessions.

Mr Richard Wainwright, for the Liberal Party, reminded Sir Geoffrey that the freezing of contract gas prices, announced in the last Budget (see pp 132-3), was due to expire in December. He asked whether the Chancellor had anything further to say to the House on that theme (see below).

Government Reply

Sir Geoffrey, in his reply to Mr Shore, defended the Government's action on National Insurance payments. During its term of office the Government had brought about a reduction in the combined burden of National Insurance contributions and NIS payments of 1·5 per cent, in

contrast to the substantial increase effected by the previous Government. With regard to the adjustment of social security benefits, the Chancellor argued that, if their real value were to be maintained, there would of necessity be adjustments from year to year.

Sir Geoffrey agreed with Mr Jenkins that the NIS represented an addition to costs. It was for that reason that the Government had reduced the rate for 1982-83 and was planning a further cut for 1983-84. However, the Government intended that these reductions would be carried out in a way that maintained effective control over public sector borrowing, which was 'a crucial component in the reduction in interest rates' which, in turn, was 'an even more significant element in industrial costs'.

Replying to Mr Wainwright, the Chancellor announced that the British Gas Corporation had that day confirmed that the freezing of gas prices would be continued until October 1983.

PRIME MINISTER'S SPEECH AT LORD MAYOR'S BANQUET

Britain's 'healthy new realism' in facing difficult economic choices was praised by the Prime Minister, Mrs Margaret Thatcher, in her speech at the Lord Mayor's Banquet at the Guildhall on 15 November. She pointed to 'a growing recognition that inflation can and must be defeated, and defeated for good'.

It was the Government's duty, she stated, to provide 'a fair and clear system of taxation' as well as 'a stable and honest currency and banking system'. But these things could not by themselves guarantee prosperity or permanent growth. 'Material progress depends on the genius, flair and application of our people in industry, trade and commerce. How products are designed and how their production is organised is a matter for management. It cannot be done by governments. The task of government is to provide the right framework in which industry and commerce can operate. Then, and only then, will enterprise be able to flourish.'

Although Britain had felt the effects of the world recession, the Government could take credit for two achievements in particular: the sustained reduction in the rate of inflation and the determined control of public expenditure. It had also succeeded in paying off a great proportion of the inherited foreign debts and had restored soundness to the currency. Over the past year, the Prime Minister went on, there had been, in addition to the substantial fall in the rate of inflation, a reduction in the banks' base rates and a rise in both government stocks and company securities on the stock market.

On unemployment, Mrs Thatcher said that she and every other government minister were 'desperately concerned'. This concern had been matched by actions: 'the fresh ideas and original schemes which we have initiated to minimise the impact of unemployment are as great as the effort devoted by any government to any single social problem in this century'.

Unemployment and Government Policy

The Government has welcomed a report from the Select Committee of the House of Lords on Unemployment, although it does not consider that all of the proposals are practicable. Unemployment figures based on a new system of compilation have been announced by the Government.

In its reply, contained in a White Paper,[1] to the Select Committee's report,[2] the Government, while not agreeing with all of the Committee's conclusions, welcomes the report as 'an important contribution which will be valued by all concerned with the problems of unemployment'.

WHITE PAPER

The White Paper says that unemployment in Britain has risen unevenly but persistently over the past 20 years[3]; the increase has been accompanied by rising inflation over most of the period. Similar problems have been experienced by many other Western countries, but in Britain these problems came on top of long-standing and widely recognised weaknesses in industrial performance including low profitability, poor labour productivity and the failure to invest adequately in new products, skills and processes. Among the reasons for Britain's slowness to adjust to changed circumstances have been excessive pay increases, entrenched restrictive labour practices, inefficient use of capital investment and lack of response to new market opportunities.

The Government's Strategy

The central aim of the Government's economic policy is to create the conditions (above all, reduced inflation) which will encourage an improvement in industrial competitiveness. That, the Government's reply says, requires firm restraint in public borrowing and the maintenance of sound monetary conditions. The Government welcomes the Committee's view that the restoration of competitiveness must be the primary objective, and also agrees that realistic pay settlements play a key part in improving competitiveness, and so in prospects of faster growth and fuller employment. Suppositions that unemployment can be overcome simply by increasing monetary demand, and that those who have a job accordingly need not moderate their expectations of higher incomes for the sake of those without one, offer no solution; they have, the reply suggests, done much to create the problem. Pay

[1] *The Government's Reply to the Report from the Select Committee of the House of Lords on Unemployment.* Cmnd 8745. HMSO, £2·55. ISBN 0 10 187450 2.

[2] *Report from the Select Committee of the House of Lords on Unemployment.* Vol I: Report. HMSO, £8·50. ISBN 0 10 414282 0. Vol II: Minutes of Proceedings and Evidence. HMSO, £12·40. ISBN 0 10 494282 7. Vol III: Minutes of Evidence (continued). HMSO, £12·40. ISBN 0 10 494182 0.

[3] The seasonally adjusted rate of unemployment rose from 1·8 per cent of all employees in 1962 to 12·8 per cent in October 1982 (or 12·4 per cent on the new basis of measurement – see p 401).

settlements have come down considerably, but further progress in this direction is needed, and in some cases there will be no scope for any increase. The reduction in inflation, from nearly 22 per cent in May 1980 to 7·3 per cent in September 1982 and an expected 5 per cent in 1983, should encourage this trend.

Lasting remedies for unemployment must include improving the working of markets, particularly the labour market, which must be made more flexible and responsive to economic circumstances. This can be helped by improving incentives to work and enterprise, including measures to reduce the burden of tax, to make the tax structure more favourable and to reform the complex social security system. The Government is taking action directly helpful to industrial performance, as illustrated by the decisions announced by the Chancellor of the Exchequer on 8 November (see p 396–7). The Government fully agrees with the Committee that immediate help is needed for those worst hit by the recession; for its part the Government is devoting very large and increasing resources to special employment and training measures (nearly £2,000 million in 1983–84) and to other measures, which support employment in industry (see below).

In examining the Committee's proposals for major public expenditure to create employment, the Government believes that they must be considered within the wider framework of the policies needed to defeat inflation. Higher public spending on employment measures or infrastructure will require some mixture of lower spending in other areas, higher taxation, or higher borrowing; each of these carries a penalty, falling ultimately in one way or another upon industry and so on jobs. Implementing all the Committee's proposals would mean a major addition to planned public spending, and this could all too easily undermine the success over inflation on which the prospects for a lasting improvement in competitiveness, and ultimately employment, must depend.

In the continuing effort to devise selective measures which best meet the needs of particularly disadvantaged groups like the young and the long-term unemployed, the Government has already taken extensive action in line with some of the Committee's proposals. Further ideas, including others put forward by the Committee and those from other bodies like the Confederation of British Industry, are being examined. The Government believes that, wherever possible, special employment measures should be designed so as to have not just a neutral but a positively helpful effect on improving labour-market flexibility, thus yielding longer-term benefit.

The Government disagrees with the Committee's recommendation of incomes policies, believing that it is better and more efficient to leave employers and employees free to negotiate pay. The Government has a role, by maintaining a firm monetary policy, by underlining publicly the link between pay and jobs and by taking a firm line on pay where it is the direct employer, in helping to keep pay settlements to realistic levels and making negotiators aware of the consequences of their actions. However, the main solution lies with the pay negotiators themselves, who must realise that self-restraint is the way to improve competitiveness and to preserve and create jobs.

Education and Training for Young People

The Government welcomes the Committee's support for the Youth Training Scheme (see pp 248–51), although it is unable to accept the Committee's proposal for a system of graduated allowances. It still believes that it would be right for young people, whether in the first year of full-time education after the minimum school-leaving age, in the Youth Training Scheme or unemployed, to be regarded as in general dependent on their parents. It agrees with the Committee that the high level of wages paid to young people is a disincentive to employers to recruit school-leavers, and cites its Young Workers Scheme (see p 22) as a means of encouraging employers to take on a greater number of young people at more realistic wages. The Committee also recommended expansion of the services provided by Community Industry (which aims to help young people aged 16 to 18 who are faced with personal and social disadvantages to find and keep work by providing them with temporary employment of benefit to the community). The Government appreciates the contribution which has been made by Community Industry over the last ten years. After the introduction of the Youth Training Scheme in 1983, Community Industry will be concentrating particularly on disadvantaged 17- and 18-year-olds. The case for a further expansion of Community Industry programmes has been carefully considered but the Government's view is that the available resources should be concentrated for the present on the Youth Training Scheme.

Adult Training

In response to the Committee's recommendation that adult training, for both the employed and unemployed, be expanded immediately, the Government points out that it has endorsed proposals for a new training initiative (see p 21), one of whose major objectives is to open widespread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or update their skills and knowledge during the course of their working lives. The Open Tech Programme (see p 269) will provide increased opportunities for adults, whether in employment or not, to acquire training by the use of open and distance learning techniques. The Government also gives help to employers providing training for their own employees (for example, through the Computer Joint Application Programme) and intends that the resources of the Training Opportunities Scheme (the principal adult training scheme administered by the Manpower Services Commission) should increasingly be directed to encourage the necessary provision in industry. The main responsibility for training for skill must rest with employers themselves, since they are in the best position to judge their requirements for trained labour. They can be helped in this by industrial training bodies, whether statutory or preferably, in the Government's view, voluntary. Further consideration will be given to issues about

the organisation, extent and funding of adult training when the results of a current study by the Manpower Services Commission are available.

Problems of Particular Groups in the Labour Market

The Committee recommended that the public employment service should give special attention to those unemployed people who are hard to place, and stressed the importance of counselling for those in need. The Government points out that substantial numbers of staff are now engaged on Unemployment Review, a large part of which involves counselling, and it has agreed that the Manpower Services Commission should retain 250 more staff than would otherwise have been allocated to assist the long-term unemployed.

Responding to the Committee's emphasis on the need for effective careers guidance, the Government expresses its full commitment to the principle that links between school and the world of work should be developed.

The Government shares the Committee's concern about the problems of the long-term unemployed and has taken important steps to provide assistance for them. The new community programme (see p 269) will provide up to 130,000 places, many of them part-time, for up to a year.

The Government fully supports the Committee's call for continued action against sex discrimination in employment. Women are making use of government employment and training services – for example, 260,000 participants in the Youth Opportunities Programme in 1981-82 were young women, and over the same period some 19,000 women completed Training Opportunities Scheme courses. The Manpower Services Commission also provides courses for women with special needs where this will help them get jobs.

The Government notes the recognition given by the Committee to the special problems faced by disabled people, and also the Committee's recognition of the action being taken against racial disadvantage in employment.

Reductions in the Supply of Labour

The Government agrees with the Committee's general conclusion that, unless pay is reduced proportionately, reductions in working time will not increase demand for labour or reduce unemployment. The Government shares the Committee's interest in job pairing, and the Chancellor of the Exchequer announced in July the introduction of a new job splitting scheme (see p 269). It welcomes the Committee's support for the Job Release Scheme (which encourages people to give up work early to make way for younger workers). The scheme is at present due to close for applications on 31 March 1984, and it is estimated that by then some 113,000 people will be receiving job release allowances. The future of the scheme after that date will be considered in 1983.

While sympathetic to the Committee's various proposals for improving rights and benefits for those who retire early, the Government does not feel able to implement them because of their cost or practicability.

Increasing the Demand for Labour

The Government agrees with the Committee that an adequate supply of small premises is essential for the creation and development of small businesses. To encourage private investment, the Chancellor of the Exchequer introduced the small workshops scheme in his 1980 Budget (see p 120, 1980). The English Industrial Estates Corporation (the Department of Industry's factory-building agency) is already heavily involved in building small factories, and for the past year has concentrated almost exclusively on this type of development. The Corporation confines itself to developments in those areas where the private sector is not prepared to invest in small factories at present, and seeks to encourage private investment in the areas where it is active, by demonstrating that it can make a commercial rate of return on its investment.

The Government is in favour of unsubsidised co-operatives and is keen to see the producer co-operative sector flourish; funding of the Co-operative Development Agency, which the Committee would like to see expanded, has been approved until 1984, but the Government does not intend that it should be supported by public funds indefinitely. It has been slimmed down and is concentrating its efforts more upon job creation.

The Committee's view that 'as a nation we must embrace new technologies and exploit them to the best of our ability' is fully supported by the Government. The Department of Industry has a programme of support for industrial research and development costing more than £200 million a year. The Department gives particular attention to new technologies, such as microelectronics, information technology and computer-aided manufacture, and it provides a manufacturing advisory service and technical inquiry service to assist small firms.

Referring to the Committee's proposal for job creation by further capital expenditure on public sector projects and more current spending on low-skill jobs, the reply says that it remains government policy to give priority to worthwhile public capital projects where these do not conflict with overall public expenditure constraints. The Government believes that local authorities and nationalised industries should spend their full allocation for capital programmes and has recently taken steps to encourage them to do so. Special priority is being given within available resources to increase capital investment where this will create the conditions for the private sector to invest and expand.

The Committee suggests that small changes in the number of low-skill jobs in certain parts of the public sector would not have any adverse consequences for pay and efficiency. The Government believes that any commitment to creating more jobs in the public sector, beyond those necessary to provide a cost-effective service, would risk generating inflation. The outcome would be reduced efficiency in the public services and upward pressure on pay, not just in the public sector but in the economy as a whole.

The Government acknowledges the advantages of unemployed people taking part-time work, and it has taken steps to encourage and facilitate this. The levels of 'earnings disregards', which allow unemployed people to earn small sums without losing title to benefit, is not immutable. However, raising them would carry the risk of narrowing or even eliminating the gap between incomes in and out of work.

The Government notes the Committee's view that consideration should be given to introducing a tax credit scheme, involving a total merger of the income tax and social security systems, but says it would involve enormous cost or would result in rates of income tax which would create significant disincentives to work.

The Committee's suggested widening of the Enterprise Allowance Scheme (which provides a flat-rate allowance to help unemployed people start up in business) will depend on the results achieved in the five areas where it is currently being tried out. Participation has so far been encouraging, but an evaluation of the pilot schemes is still in progress.

UNEMPLOYMENT STATISTICS

Following a decision to make it voluntary for unemployed people to register at jobcentres, counting of the unemployed has been transferred from jobcentres to benefit offices. Explaining the change to the House of Commons on 18 November (*Hansard*, Vol 13, No 11, cols 426-32), the Secretary of State for Employment, Mr Norman Tebbit, said that registration at jobcentres was 'not an effective test of availability for work and abolition would benefit both job seekers and the employment service'. The unemployment figures compiled on the new basis were, Mr Tebbit said, more accurate: 'They give a more up-to-date picture on the day of the count. Instead of depending on costly manual counts in hundreds of offices throughout the country, they will be based on carefully tested and working computerised systems.' To enable a fair comparison of past and future unemployment figures, he was that day publishing figures on the new basis for the past year.

The new figures include severely disabled people, who were previously excluded, but exclude people who register at jobcentres but do not claim benefit. The count is also reduced because the use of benefit computer records removes more of those who find jobs in the period immediately before the day of the count. Under the manual system they could have been recorded as unemployed for up to a fortnight or more after they started work. The new figures, Mr Tebbit said, 'do not make the problem of unemployment less serious, but they give more accurate and less expensive statistics'.

GATT Ministerial Meeting

The ministerial meeting of the General Agreement on Tariffs and Trade (GATT), held in Geneva from 24 to 29 November, has reaffirmed the commitment by the signatories to maintain the existing obligations of the Agreement and to strengthen their observance in the future. It has called for a number of studies including one to consider the problems of international trade in services and another concerned with agricultural trade issues.

The Minister for Trade, Mr Peter Rees, attended the meeting and made a statement on the final declaration, in the House of Commons on 29 November (*Hansard*, Vol 33, No 19, col 22). The information below is based on the statement, the ministerial declaration and a declaration by the European Commission concerning certain points in the ministerial declaration.[1]

Ministerial Statement

Mr Rees said that the ministerial meeting had been the first for nine years and had been attended by over 80 signatories accounting for more than 90 per cent of world trade. The purpose of the meeting had not been to revise or amend the general agreement, but 'to reaffirm support for existing obligations and to seek agreement on the examination of certain important issues that might form the basis of future negotiations'. After negotiations had been held, 'the meeting adopted by consensus a document which constitutes a realistic commitment by the signatories to maintain the existing obligations of the GATT that have underpinned the open trading system since the [second world] war and to strengthen their observance in the future'.

[The ministerial declaration says that the contracting parties recognise that the multilateral trading system, of which the GATT is the legal foundation, is seriously endangered. 'In the current crisis of the world economy, to which the lack of convergence in national economic policies has contributed, protectionist pressures on governments have multiplied, disregard of GATT disciplines has increased and certain shortcomings in the functioning of the GATT system have been accentuated.' The deep and prolonged crisis of the world economy has severely depressed levels of production and trade. 'In the field of trade, the responses of governments to the challenges of the crisis have too often been inadequate and inward-looking. Import restrictions have increased and a growing proportion of them have for various reasons been applied outside GATT disciplines, thus undermining the multilateral trading system. Trade patterns have also been adversely affected by certain forms of economic assistance for

[1]The ministerial declaration and the declaration by the European Commission are available from the Department of Trade, 1 Victoria Street, London SW1H 0ET.

As well as the references given in this article, the ministerial declaration includes sections on safeguards; GATT rules and activities relating to developing countries; dispute settlement procedures; trade in agriculture; tropical products; quantitative restrictions and other non-tariff measures; tariffs; multilateral trade negotiations: agreements and arrangements; structural adjustment and trade policy; trade in counterfeit goods; export of domestically prohibited goods; export credits for capital goods; textiles and clothing; problems of trade in certain natural resource products; exchange rate fluctuations and their effect on trade; dual pricing and rules of origin; and services.

production and exports, and by some restrictive trade measures applied for non-economic purposes. In the depressed economic circumstances these measures, together with continuing pressures for further protective action, have contributed to further delays in necessary structural adjustment, increased economic uncertainty and discouraged productive investment.'

The contracting parties to the declaration 'recognise that the interdependence of national economies means that no country can solve its trade problems in isolation and also that solutions would be greatly facilitated by parallel efforts in the financial and monetary fields. In this light, they commit themselves to reduce trade frictions, overcome protectionist pressures, avoid using export subsidies inconsistent with Article XVI of the GATT and promote the liberalisation and expansion of trade. They are therefore determined to create, through concerted action, a renewed consensus in support of the GATT system, so as to restore and reinforce confidence in its capacity to provide a stable and predictable trading environment and respond to new challenges.'

'In drawing up the work programme and priorities for the 1980s, the contracting parties undertake, individually and jointly:

1 to make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formulation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade;

2 to give fullest consideration, in the application of measures falling within the GATT framework, and in the general exercise of their GATT rights, to the trading interests of other contracting parties and the shared objective of trade liberalisation and expansion;

3 to abstain from taking restrictive trade measures, for reasons of a non-economic character, not consistent with the General Agreement;

4a to ensure the effective implementation of GATT rules and provisions and specifically those concerning the developing countries, thereby furthering the dynamic role of developing countries in international trade;

b to ensure special treatment for the least developed countries, in the context of differential and more favourable treatment for developing countries, in order to ameliorate the grave economic situation of these countries;

5 to bring agriculture more fully into the multilateral trading system by improving the effectiveness of GATT rules, provisions and disciplines and through their common interpretation; to seek to improve terms of access to markets; and to bring export competition under greater discipline. To this end a major two-year work programme shall be undertaken;

6 to bring into effect expeditiously a comprehensive understanding on safeguards to be based on the principles of the General Agreement;

7 to ensure increased transparency of trade measures and the effective resolution of disputes through improvements in the operation of the pertinent procedures, supported by a determination to comply with rulings and respect recommendations;

8 to examine ways and means of, and to pursue measures aimed at, liberalising trade in textiles and clothing . . . ; [and]

9 to give continuing consideration to changes in the trading environment so as to ensure that the GATT is responsive to these changes.']

Mr Rees noted that the document did not prevent contracting parties from adopting safeguard measures under the GATT, or measures with a similar effect. He said that the document provided for 'a study to cover ways and means of achieving the acceptance by newly industrialised countries of increased obligations under the GATT and of an increase of trade with them; a study of the problems of international trade in services; a study covering agricultural trade issues in their entirety; a study of how best to combat trade in counterfeit goods and an improved procedure for the settlement of disputes'.

'Throughout the meeting', Mr Rees continued, 'the countries of the European Community consistently emphasised the need for conclusions and decisions to be expressed in realistic terms. For that reason the European Community entered a reserve on a proposal to link the study of agricultural trade with a wide commitment to renegotiate the fundamental structure of that trade. The European Community, in common with a number of other signatories, made certain other interpretative declarations.' [These are set out in the declaration by the European Commission in which it welcomes 'the commitment in the ministerial declaration to overcome protectionist pressures, as well as the clear reaffirmation of the resolve to support and improve the GATT trading system. These were the basic objectives of the conference; we are determined in the Community to devote maximum efforts to these objectives.']

Even with the reservations expressed, Mr Rees pointed out, 'the outcome of the negotiations – undertaken against the background of a world recession – must be regarded as an encouraging recommitment to the maintenance of the open trading system, on which the prosperity of the United Kingdom as a great exporting nation depends, and has helped to focus the attention of the world on the consequence of a breakdown of this system'. Britain, through the European Community, had 'made a full and constructive contribution to this outcome without, however, compromising its right to safeguard its essential national interests'.

Overseas Trade in 1981

In 1981, for the second year running, there was a surplus on Britain's visible trade, amounting to nearly £3,000 million. Exports

rose by 8 per cent in value, although declining slightly in volume, and included a substantial increase in fuels.

Publication of export and import figures for the whole of 1981 was delayed following a Civil Service industrial dispute in mid-1981. These figures have now become available and are included in the November 1982 edition of the *Monthly Review of External Trade Statistics* produced by the Departments of Industry and Trade. Tables 1 to 3 have been taken from the Monthly Review, and show the long-term trends in visible trade and a commodity and geographical analysis

Table 1

Overseas Trade 1971-81

Balance of payments basis

	Exports f.o.b.* £ million	Imports f.o.b.* £ million	Visible balance £ million	Unit value indices (1975=100) Exports	Imports	Terms of trade†	Volume indices (1975=100) Exports	Imports	Relative volume index†
1971	9,043	8,853	+190	53·7	44·8	119·8	85·9	85·5	100·5
1972	9,437	10,185	−748	56·8	46·9	121·1	85·6	95·2	89·9
1973	11,937	14,523	−2,586	64·0	60·0	106·8	97·2	108·4	89·7
1974	16,394	21,745	−5,351	81·6	87·7	93·1	104·2	109·5	95·2
1975	19,330	22,663	−3,333	100·0	100·0	100·0	100·0	100·0	100·0
1976	25,191	29,120	−3,929	119·6	122·2	97·9	109·9	105·8	103·9
1977	31,728	34,012	−2,284	141·5	141·3	100·2	118·4	107·7	109·9
1978	35,063	36,605	−1,542	155·5	146·8	105·9	121·5	112·8	107·7
1979	40,687	44,136	−3,449	171·7	161·6	106·3	125·7	125·6	100·1
1980	47,396	46,211	+1,185	192·8	185·8	103·7	128·0	119·1	107·5
1981	51,071	48,092	+2,979	207·9	204·1	101·9	126·8	119·1	106·5

*Free on board; values include all costs accruing up to the time of placing the goods on board the exporting vessel or aircraft.
†Export index as a percentage of import index.

Table 2

Overseas Trade by Commodity

Overseas trade statistics basis

	Exports (f.o.b.) 1980 £ million	1981 £ million	1981 per cent	Imports (c.i.f.)* 1980 £ million	1981 £ million	1981 per cent
Non-manufactures	11,136	14,577	28·7	17,136	17,787	34·6
Food, beverages and tobacco	3,269	3,622	7·1	6,178	6,517	12·7
Basic materials	1,450	1,322	2·6	4,050	4,009	7·8
Fuels	6,417	9,633	19·0	6,908	7,261	14·1
Manufactured goods	34,814	34,724	68·4	31,240	32,063	62·4
Semi-manufactures	14,036	13,153	25·9	13,493	12,574	24·5
of which *Chemicals*	*5,290*	*5,514*	*10·9*	*3,148*	*3,609*	*7·0*
Textiles	*1,363*	*1,188*	*2·3*	*1,545*	*1,772*	*3·5*
Iron and steel	*984*	*1,231*	*2·4*	*1,449*	*1,092*	*2·1*
Non-ferrous metals	*1,760*	*1,230*	*2·4*	*2,487*	*1,431*	*2·8*
Metal manufactures	*1,310*	*1,269*	*2·5*	*866*	*826*	*1·6*
Other	*3,329*	*2,721*	*5·4*	*3,998*	*3,844*	*7·5*
Finished manufactures	20,778	21,571	42·5	17,747	19,490	38·0
of which *Machinery*	*11,473*	*11,861*	*23·4*	*7,733*	*8,884*	*17·3*
Road vehicles	*3,156*	*3,175*	*6·3*	*3,348*	*3,471*	*6·8*
Scientific instruments and photographic apparatus	*1,468*	*1,613*	*3·2*	*1,401*	*1,626*	*3·2*
Clothing and footwear	*938*	*964*	*1·9*	*1,586*	*1,869*	*3·6*
Other	*3,743*	*3,958*	*7·8*	*3,679*	*3,640*	*7·1*
Miscellaneous	1,388	1,485	2·9	1,510	1,497	2·9
Total	47,339	50,786	100	49,886	51,348	100

*Cost of insurance and freight; values include the cost of insurance and freight from the country of consignment.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 3

Overseas Trade by Area

Overseas trade statistics basis

	Exports (f.o.b.)			Imports (c.i.f.)		
	1980 £ million	1981 £ million	1981 per cent	1980 £ million	1981 £ million	1981 per cent
Developed countries	35,255	37,488	73·8	38,760	40,961	79·8
of which *European Community*	*20,541*	*21,015*	*41·4*	*20,619*	*21,746*	*42·4*
Rest of Western Europe	*6,745*	*6,442*	*12·7*	*7,274*	*7,890*	*15·4*
North America	*5,310*	*7,092*	*14·0*	*7,493*	*7,619*	*14·8*
Other	*2,659*	*2,940*	*5·8*	*3,374*	*3,706*	*7·2*
Developing countries	10,628	12,185	24·0	9,956	9,318	18·1
of which *Oil-exporting countries**	*4,781*	*5,927*	*11·7*	*4,270*	*3,685*	*7·2*
Other	*5,847*	*6,258*	*12·3*	*5,686*	*5,633*	*11·0*
Centrally planned economies†	1,314	1,134	2·2	1,070	1,008	2·0
Total	47,339	50,786	100	49,886	51,348	100

*Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates and Venezuela.
†Soviet Union, German Democratic Republic, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania, Vietnam, Mongolia, the People's Republic of China and North Korea.
Note: Low value consignments are included in total imports and exports, but not in the allocation by area. Accordingly, the sums of the component parts do not equal the total figures given.

of trade in 1980 and 1981. A short summary of some of the main features is given below. For information on invisible trade and the balance of payments in 1981, see pp 291–4.

Trends in Visible Trade

The volume of exports declined by about 1 per cent in 1981, whereas the volume of imports was unchanged (see Table 1). Nevertheless, there was an increase in the value of exports and a visible trade surplus of £2,979 million, compared with £1,185 million in 1980.

There were some significant changes in the pattern of trade by commodity. Exports of fuels rose by 50 per cent to £9,633 million in 1981, when they accounted for 19 per cent of exports, compared with 14 per cent in 1980, reflecting growing exports of North Sea oil. Conversely, exports of manufactured goods as a proportion of total exports declined from 73·5 per cent in 1980 to 68·4 per cent in 1981. Within this total, exports of finished manufactures rose by 3·8 per cent to £21,571 million, while exports of semi-manufactures fell by 6·3 per cent to £13,153 million. In recent years the import pattern has shown a continuing increase in manufactured goods as a proportion of total imports, accompanied by a decline in the proportions accounted for by raw materials and by food, beverages and tobacco. However, in 1981 the proportion of imports represented by manufactured goods (62·4 per cent) was slightly lower than in 1980 (62·6 per cent). Nevertheless, imports of finished manufactures continued to grow, by 9·8 per cent to £19,490 million in 1981, representing 38 per cent of imports, as against 36 per cent in 1980. There was a fall of 6·8 per cent in imports of semi-manufactures in 1981 to £12,574 million, with a particularly large fall in imports of non-ferrous metals.

About two-fifths of Britain's trade in 1981 was with the European Community. British exports increased to all the other Community countries with the exception of Belgium/Luxembourg and Italy, the largest market in the Community being the Federal Republic of Germany, which took 10·8 per cent of Britain's exports (valued at £5,497 million). However, the United States regained its position as Britain's biggest single export market, taking exports worth £6,219 million (12·2 per cent of exports). The United States and the Federal Republic of Germany were also Britain's two largest sources of imports, supplying respectively £6,072 million (11·8 per cent of Britain's imports) and £5,952 million (11·6 per cent).

Telecommunications Bill

The Telecommunications Bill, which would enable the Government to convert British Telecom from a public corporation into a company operating under the Companies Acts and provide for the disposal of shares, has received its second reading in the House of Commons. Other major provisions of the Bill would remove British Telecom's exclusive privilege to run telecommunications systems and would establish the post of Director General of Telecommunications to keep under review and to promote the operation of telecommunications in Britain.

MAIN PROVISIONS

The first part of the Bill would empower the Secretary of State for Industry to appoint the

Director General of Telecommunications, who would in turn appoint the staff of the Office of Telecommunications.

The second part of the Bill is concerned with the provision of telecommunications services. Clause 2 would provide that, on a day to be appointed by the Secretary of State, the exclusive privilege of running the telecommunications systems conferred on British Telecom under the British Telecommunications Act 1981 (see p 15, 1981) should cease to exist. Guidelines for the Secretary of State and the Director General in exercising their functions are set out in clause 3. Among the matters they would have to take into account would be the need to secure as far as practicable the provision throughout Britain of such telecommunications services as satisfy all reasonable demands for them including, in particular, public call-box services, emergency services and services in rural areas; the need for operators to achieve a sufficient rate of return on capital to enable them to finance the supply of services and the development and use of new techniques; the desirability of promoting the interests of consumers, purchasers and other users of telecommunications services and apparatus in Britain in respect of prices charged and of the quality and variety of services and apparatus supplied; and the desirability of maintaining and promoting effective competition between suppliers of telecommunications services or apparatus in Britain.

Clause 5 would require all telecommunications systems as defined, with certain exceptions, to be licensed and make running a telecommunications system without a licence a criminal offence. Under clause 7 the Secretary of State, or the Director General with his consent, would be empowered to grant licences for the running of telecommunications systems, and clause 8 would make provision for licences to include certain conditions, including payment of fees and obligations to provide services. Clause 9 would allow the Secretary of State to authorise telecommunications operators, subject to conditions, to use the Telecommunications Code at Schedule 2 (which would replace the Telegraph Acts) to install apparatus necessary to establish and run their systems. Clause 17 would empower the Secretary of State to require that apparatus be approved before being connected to certain telecommunications systems. The Secretary of State, or the Director General with his consent, would be empowered to approve such apparatus and to designate standards to which apparatus must conform before being approved, although apparatus not meeting the standards might also be connected, subject to certain conditions.

In the third part of the Bill, clause 44 would place a duty on the Director General to collect information on telecommunications and to provide advice and information to the Secretary of State or the Director General of Fair Trading. Clause 46 would require the Director General to consider all representations, such as complaints, relating to telecommunications and would repeal the section of the British Telecommunications Act 1981 which obliged the Post Office Users National Council (the consumer 'watchdog' body dealing with posts and telecommunications) to consider such representations. The Director General would be empowered to set up advisory bodies to assist in these functions and required to establish such bodies for Scotland, Wales and Northern Ireland.

The fourth part of the Bill would provide for the future privatisation of British Telecom. Clause 53 would provide that, on a date to be determined by the Secretary of State, all property, rights and liabilities of British Telecom would become those of a successor company. Clause 58 would provide for a target investment limit on the proportion of issued voting shares in the new company which might be held by the Secretary of State or his nominees.

Clauses 66 to 75, comprising the fifth part of the Bill, would amend the Wireless Telegraphy Acts to strengthen the enforcement provisions for dealing with radio interference and the illegal use of radio equipment.

PARLIAMENTARY DEBATE

The Bill received its second reading in the House of Commons on 29 November (*Hansard*, Vol 33, No 19, cols 33-107) by 281 votes to 237, a majority of 44.

Government View

Opening the debate, the Secretary of State for Industry, Mr Patrick Jenkin, said that the Bill followed logically the measures already taken to promote competition in telecommunications. Apart from the city of Hull, British Telecom had been the sole supplier of telephone services and most telephone equipment. 'That monopoly was bad not only for customers but for British Telecom', he said. The British Telecommunications Act 1981 (see pp 14-16, 1981) had been a first step towards greater competition and he had already licensed Mercury Communications to compete with British Telecom (see p 86), 'the first such competitive network in Europe'. In addition, an ever-widening range of equipment was being opened up to competition and the market was increasingly free to sell value-added services over the British Telecom and Mercury networks, while the Government hoped that there would soon be competitive national radio-telephone networks (see p 253). The Government preferred competition. 'So long as British Telecom is nationalised, and therefore subject to the web of controls that stifle its commercial freedom, and can obtain capital for investment only from the customer through higher charges or from the taxpayer, it will face growing competition with its hands tied.' He wanted British Telecom 'to become a major force in the world telecommunications market, such as American Telephones and Telegraph'. For that to happen, British Telecom needed 'the financial freedom that a nationalised industry does not and can never have'. When the majority of shares were held by the public, British Telecom would be 'able to look to the market for most of its external financing. That will give the management greater flexibility and put less pressure on customers and taxpayers. It will subject British Telecom to proper market disciplines and allow it

to respond to the needs of customers as they change, just like the privately owned telephone companies in the United States.' The Government had considered carefully the issue of a performance-related bond, but this 'would not begin to meet British Telecom's needs'.

New Regulatory System

Mr Jenkin said that the new regulatory system established by the Bill was a major reform. British Telecom had had the sole right to run telecommunications systems and anyone else had had to be licensed, with in most cases British Telecom being the licensing authority. With competition, that had become 'entirely inappropriate'. The 1981 Act had made a number of changes to permit wider competition, but the Bill would finally remove from British Telecom both its exclusive privilege and the power to license others. This power would be vested in the Secretary of State, and British Telecom, just like any other telecommunications operator, would need a licence. Licences would contain conditions on the running of systems and the provision of services, and it would be the duty of the Director General to monitor how licensees implemented the conditions. He noted that telephone kiosks and emergency services were 'important features of the network' and under clause 3 British Telecom would be required to provide these services. The clause also provided for the promotion of competition and consumer interests. Consumers at present had no contractual rights and often could not sue. The Government wished to change that and there would therefore be enforceable contracts. The Director General would exercise the role of the Post Office Users National Council, 'but with real powers – to ensure that licence conditions are properly observed, to intervene if they are not, to amend licences, to encourage codes of conduct and so on'.

Mr Jenkin pointed out that the Office of Telecommunications would monitor and regulate all licensed telecommunications operators. Although the Secretary of State would initially grant the licences, the Director General would be able to amend them, either by agreement with the licensee or, if the change were not agreed, he could make a reference to the Monopolies and Mergers Commission.

Future Privatisation

The Secretary of State said that he expected the new regulatory system, including the Director General and the Office of Telecommunications, to be established soon after the Bill became law, but neither the transfer of assets and obligations of British Telecom to the new company nor the issue of shares to the public would take place before the next general election. 'We are content that the public should decide whether or not this important step should be taken.' He suspected that the flotation of shares was at least 18 months away, but he had already asked British Telecom to start the necessary preparations and he had appointed merchant bankers to advise him. Before the issue the Government would want the new company to have a proper capital structure, and clauses 54 to 56 provided the necessary powers. Clause 58 provided for the establishment by statutory instrument of the maximum proportion of the shares which might be owned by the Secretary of State or his nominees. To allow the issue of more shares to the public, the limit might be reduced by a further Order, but once reduced it could not be increased.

Conclusion

Mr Jenkin said that the case for the Bill was overwhelming. New technology meant that the state monopoly on telecommunications was not only unnecessary but had also become 'a significant brake on progress'. Recent public issues of Cable and Wireless (see pp 344-5, 1981) and of Standard Telephones and Cables had shown that the market was 'ready to finance the fast expanding world of telecommunications. So long as British Telecom remains in the public sector, that finance cannot be tapped, that expansion cannot take place and those jobs cannot be provided. The Bill will give British Telecom the freedom to compete, the freedom to diversify and the freedom to expand which, as a nationalised industry, it could never have.'

Opposition Views

The chief Labour Party spokesman on industry, Mr Stanley Orme, said that the Bill was by far the largest and most far-reaching privatisation measure ever proposed. The Government had no electoral mandate for the Bill, which was 'irrelevant to the problems facing British industry' and, if implemented, would have 'a devastating effect upon one of our most modern industries and services'. There was no need for privatisation in any form. 'What is needed is a redefinition of the public sector borrowing requirement and the use of flexible financing instruments which would give British Telecom, as currently structured, the flexibility it needs.' He feared that private sector operations (such as Mercury) would take away the most profitable services, leaving essential services (including emergency services, telephone kiosks and services in rural areas) to British Telecom. 'In our opinion, that will be at an ever-increasing cost', resulting in 'an ever more costly two-tier service'.

For the Liberal Party, Mr David Penhaligon (its industry spokesman) also referred to fears that services in rural areas would be adversely affected by the Bill. He pointed out that the Government had received quite a lot of support from the Liberal Party in Parliament on various measures of privatisation or denationalisation. However, the Liberal Party would not support this Bill, 'mainly because we believe that no good reason has been advanced for the change'.

A Social Democratic Party spokesman on industry, Mr John Grant, also opposed the Bill. He believed that the Government's decision to privatise British Telecom in this way was 'profoundly mistaken'. The legislation was both 'massive and complex', and he criticised the speed with which the Bill had been drafted and presented to the

House. He noted British Telecom's fears that the regulatory regime might turn into a 'a heavy-handed bureaucracy to the detriment of the customer and of new technological development'.

Government Reply

In closing the debate, the Minister for Industry and Information Technology, Mr Kenneth Baker, noted the concern expressed about services in rural areas. He pointed out that clause 3 contained a clear guarantee that these services would be provided, 'a more specific and fuller obligation than has ever appeared in legislation before'. He defended the need for the Office of Telecommunications, saying that even after liberalisation and privatisation about 90 to 95 per cent of the telecommunications network in Britain would be operated by British Telecom. 'With that level of market dominance, it is right that the market should be regulated, and it must be regulated much more effectively than it is now. It is not acceptable to set up either a public body or a private company – which is what British Telecom plc will be – which has such market dominance, without regulation.' That was the basic reason for having the Office of Telecommunications.

Mr Baker also explained how the Bill would affect British Telecom's international obligations. He said that British Telecom had taken the leading role in representing British interests internationally at the technical and operating level. The passage of the Bill, the sale of shares and the issue of a licence to British Telecom would place it on the same basis as other telecommunications operators, which would also have a legitimate interest in international agreements. The Government was considering carefully the implications of the change in status of British Telecom, of the progress in liberalisation and whether the Government should take a more active role in representation in the future.

The Minister concluded by saying that the Bill created freedom from Treasury and ministerial control. 'It also gives freedom to British Telecom to grow, to operate overseas and to make acquisitions. The Bill is necessary because the market is growing so quickly that British Telecom can expand only by becoming a free, independent company.'

Transport Bill

The Transport Bill, which provides for changes in the law on the finance and management of transport executives in London and the metropolitan counties in order to clarify the basis of subsidies to the executives and to improve their efficiency, received its second reading in the House of Commons on 15 November by 284 votes to 224, a majority of 60. It also provides for writing off part of the National Dock Labour Board's debt to the Government.

The Government's proposals relating to passenger transport were set out in a White Paper, published on 5 November.

WHITE PAPER

The Role of Public Transport Subsidy

The White Paper[1] says that, as in the case of other services, the provision of public transport must reflect demand. Travel by bus has declined steadily over the last 30 years, on average by 3·5 per cent a year, mainly as a result of the sevenfold increase in private motoring over the same period. Bus operators have found it increasingly difficult to meet their costs from bus fares and to provide reasonable levels of service in the face of falling demand and rising costs, and deficits have been met by increasing levels of subsidy. Most of the subsidy to local public transport in England is spent in Greater London and the six metropolitan counties: Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire. They receive some £300 million, about two-thirds of the annual total of the transport supplementary grant allocated by the Government to support local transport in England. In addition, some £250 million – nearly 30 per cent of the Government's annual grant to the whole of the rail network – goes to commuter rail services in London and the South East. 'These figures reflect the very considerable importance the Government attaches to maintaining effective local public transport.' As subsidies are so large, it is important that decisions are taken 'on a well-informed basis, with the expenditure directed to clearly defined purposes. In the Government's view, some of the recent and proposed increases in subsidy have not been justified. It is not acceptable for subsidies to be squandered on excessive costs, poorly tailored services or unnecessarily low fares.' Subsidy should provide 'demonstrable benefits in addition to the straight financial gain to the users of public transport' and 'should be paid only if its benefits are manifestly greater than the disadvantages of the extra taxes and rates [local property taxes] needed to finance it'.

The White Paper points out that large rises in subsidies were required in London following major cuts in bus and Underground fares in October 1981. The courts upheld a legal challenge by the London borough of Bromley and found that the supplementary rate precept levied by the Greater London Council (GLC) to finance fare cuts was unlawful. 'The GLC had failed to maintain a proper balance between the ratepayers and travellers.' Fares were then raised by 100 per cent in spring 1982. 'These events caused large rate increases and damage and disruption to London Transport.' There were also repercussions outside London, with questions raised on the legality of some of the transport policies being pursued by the metropolitan authorities; 'uncertainty continues about the lawfulness of subsidies in the metropolitan authorities as well as in London'. The Government has concluded that 'legislation is needed which

[1] *Public Transport Subsidy in Cities.* Cmnd 8735. Department of Transport. HMSO, £1·65. ISBN 0 10 187350 6.

will provide for a reasonable, stable and lawful subsidy regime'.

Main Provisions of the Bill

The White Paper says that under the Bill detailed planning and decisions about services, fares and subsidy will continue to be taken by local authorities and their transport executives. 'But this will be within an overall framework that encourages coherent forward passenger transport planning and efficient use of resources, taking account of all the competing claims and the need for the private sector to invest in growth.' Transport executives, the GLC and metropolitan authorities will be required to set out annually their proposals for fares, levels of service and subsidy on a common basis, and this will result in guidance by the Secretary of State for Transport on the level of subsidy. Subsidy payments up to the level indicated by the Secretary of State will be a proper exercise of the authority's power. If the authority decides on a higher level of transport subsidy, 'councillors will know that they run the risk of surcharge should their action be challenged by the auditor and found by the courts to be unlawful',[1] while ratepayers will continue to have the right to challenge expenditure above the indicated level where they think it is unreasonable.

The Bill imposes a duty on each transport executive to prepare annually a plan containing its proposals for the next three years on the general level of transport services and facilities to be provided and fares to be charged. Each year the Secretary of State will provide initial guidance about the factors to be taken into account. The plan, with any proposed modifications, will be submitted by the local authority to the Secretary of State in association with the annual transport policy and programme, which is used as a basis for bids for transport supplementary grant.

Three main benefits will occur under the new legislation, according to the White Paper. First, it will be easier for subsidising authorities and ratepayers to identify the benefits resulting from the subsidy and to decide whether they are cost-effective. Secondly, 'legal challenge on the reasonableness of the subsidy on transport grounds is unlikely to succeed where the plan has been produced within the spirit of the new system and the subsidy is within the level indicated by the Secretary of State'. Thirdly, transport operators will be able to provide and plan services on a more stable and a longer-term basis.

Value for Money

Two other provisions are included in the legislation to help to secure better value for money. First, authorities will be required to review the management structure and operations of their undertakings, with a particular view to identifying whether smaller and more accountable units would bring greater efficiency. Secondly, transport executives will have to review where competitive tenders from the private sector to carry out certain activities would be appropriate and should be sought. Activities might cover not only transport services but also ancillary services, such as catering and maintenance.

Framework for the Future

The Government believes that the Bill's proposals 'will improve the framework in which the executives and their authorities can plan and provide transport services, well suited to local needs and within the resources available'. It is considering the recommendations of the House of Commons Select Committee on Transport on the present organisation of transport in London (for publication details of report, see p 279) and will also be receiving shortly the proposals of the Serpell Committee on railway financing. The proposals in the Bill tackle the problems relating to passenger transport subsidies, but the Government is now examining whether a more fundamental reorganisation of transport responsibilities is required.

PARLIAMENTARY DEBATE

Government View

Opening the debate (*Hansard*, Vol 32, No 9, cols 38-112), the Secretary of State for Transport, Mr David Howell, said that the Bill had three main purposes. First, it clarified the law on subsidy support for public transport, making 'absolutely clear the scope within which the GLC and the metropolitan authorities can subsidise local transport without fear of legal challenge'. Secondly, it would help to improve the efficiency and value for money performance of public transport in cities. Thirdly, it would 'discourage city authorities from the reckless course on which some of them have been set, with their excessive commitment to high rates, which destroy jobs with deadly efficiency, and to ultra-low fares which destabilise our transport systems'. Mr Howell denied claims that the Bill was an attack on local democracy. 'It leaves local authorities with their own duties and responsibilities on transport and on other spending. It makes subsidy unquestionably lawful and provides a clear area of certainty within which city authorities can act. Only outside this protected area will there be a risk, as now, of legal challenge.'

Opposition View

Opposing the Bill, the chief Opposition spokesman on transport, Mr Albert Booth, described it as 'part of a simultaneous attack on metropolitan local government powers and on public transport standards'. The contents of the Bill were 'highly controversial and in part contradictory', and would 'raise massive and complex problems for local government'. He expected that it would result in higher fares and consequent falls in passenger traffic. 'If the Bill becomes law,' Mr Booth said, 'the rights of metropolitan authorities and the GLC to plan public transport will be removed', while their plans would be 'financially strangled'.

[1] Auditors must satisfy themselves that a local authority's accounts are lawful and have been properly prepared, and must include any criticisms in their reports to the authority and the appropriate Secretary of State. If an auditor considers any item of expenditure in an authority's accounts is illegal, he or she can apply to a court of law for a declaration to that effect. If the declaration is granted, the court may also impose a surcharge on anyone responsible for illegal payments, except where it finds that an action was reasonable or carried out in the belief that spending was lawful.

The Social Democratic Party's spokesman on transport, Mr Tom Bradley, also opposed the Bill. He feared that 'the approach of the Bill, supported by the explanations in the White Paper, leaves the legality of transport subsidies in an even greater state of uncertainty than it has been following the fiasco of the GLC case in the courts'. The Secretary of State had missed an opportunity to clarify transport strategy, investment and fares policies.

Government Reply

Replying for the Government, Mr Reginald Eyre, Parliamentary Under-Secretary of State, Department of Transport, restated the Government's aims. He said that the Government acknowledged the importance of local transport services in the cities and wished 'to provide a framework of stability within which local transport can be improved'. The Government supported 'the wise use of subsidies to provide good but not wasteful services. That must be achieved by the transport executives under the aegis of the local transport authorities, which must provide good value for money.' When the Bill was fairly examined, he asserted, 'it will be found to provide a system that will be of great benefit to the future of transport in our cities'.

Energy Bill

Government proposals aimed at encouraging electricity generation in the private sector are contained in the Energy Bill, which received its second reading in the House of Commons on 24 November by 304 votes to 201, a majority of 103. The Bill also raises (in line with inflation) the amounts of compensation payable in the event of damage caused by incidents at nuclear power stations.

Nuclear Installations

The Secretary of State for Energy, Mr Nigel Lawson, opened the debate (*Hansard*, Vol 32, No 16, cols 867-938) by describing the second part of the Bill dealing with nuclear installations 'as an hors-d'oeuvre before dealing with Part 1 which contains the meat of the Bill'. He explained that its main purpose was to restore the real value of the amounts of compensation that the Nuclear Installations Act 1965 provided for damage caused by nuclear incidents, and that no other changes of any substance were being made. Though the safety record of Britain's nuclear power industry was second to none – there not having been one emergency at a nuclear power station in more than 300 reactor years of operating experience – it was nevertheless prudent to have a proper system of liability and compensation. The 1965 Act gave the operator no-fault liability for nuclear damage and required him to insure against it. It limited his liability to £5 million per incident and provided for that sum to be increased to £50 million, if necessary, from public funds, including funds that were provided by other countries by international agreement. The Act also gave effect to the two international conventions on third party liability in the field of nuclear energy, known as the Paris and Brussels conventions, to which Britain was a party. Over the years the figures of £5 million and £50 million had lost much of their value through inflation, and two amending protocols had therefore been agreed by the parties to the conventions which, besides making some technical changes, increased the upper compensation limit to the equivalent of about £192 million. The Bill gave effect to this alteration (expressed in terms of International Monetary Fund special drawing rights per incident) and also increased the operator's liability limit in proportion to £20 million per incident, except for a new category of small operators (such as research institutions and universities) for whom the limit would be £5 million.

Electricity Generation

Part 1 of the Bill established for the first time a statutory framework to govern dealings between private generators of electricity and the public electricity supply system. It entitled private generators of electricity – of whom there were many, accounting at present for 6 per cent of overall electricity supplies and 15 per cent of the requirements of industry – to sell their electricity to the local electricity boards[1] on fair terms, thus giving them a guaranteed market. It also allowed them to use the public transmission and distribution system, an important innovation in Britain, though already practised in some other countries. Finally, it repealed the statutory prohibition on private electricity generation as a main business activity. In response to the many representations that Mr Lawson had received from industry, the Bill required the tariffs for trading with the boards and for using the public transmission network to be published. The availability of these two routes would be an important safeguard for the private generator, who could thus compare the terms on offer and make a commercial decision. In addition, private generators would be entitled to a standby supply of electricity from the electricity board both for themselves and their customers, thus being able to maintain supplies when their plant was unusable due to servicing or breakdowns.

The Bill required electricity boards to offer private generators fair terms, that is, in general, terms that would neither increase nor reduce the prices for electricity paid by other customers of the boards. The same basic approach would apply to charges for the use of the boards' transmission system. The electricity supply industry would be obliged to consult the Secretary of State on the principles underlying its charges, and any dispute between private generators and electricity boards might be referred to him for settlement. Mr

[1]In England and Wales, 12 area boards are responsible for the distribution and retail sale of electricity, which is generated and transmitted by the Central Electricity Generating Board. In Scotland two boards, the North of Scotland Hydro-Electric Board and the South of Scotland Electricity Board, generate, distribute and sell electricity. Part 1 of the Bill does not apply to Northern Ireland.

Lawson was confident that these measures would encourage the growth of private electricity generation in Britain. In practice the Bill's main impact would be on the development of industrial combined heat and power schemes – that is, making use of the waste heat from power stations. About two-thirds of existing private industrial electricity generation was in the form of these schemes, which had been a well-established practice in industry for decades, but on a relatively modest scale. Mr Lawson said that their use was clearly very attractive in terms of energy efficiency, and he would like to see such projects going ahead wherever they were economic. The Department of Energy had already done much to help through grants, advice and demonstrations (see also p 172, 1980).

Mr Lawson believed, further, that the Bill could have a beneficial impact on private investment in renewable energy sources that generated electricity; in particular, hydro-electric power and wind power. Rather than undermine the nationalised electricity supply industry, he expected that increased competition would be a stimulus to the public sector to improve its efficiency so that all consumers benefited. The industry had, of course, been fully consulted on the formulation of the Bill's proposals.

Mr Lawson gave brief details of the individual clauses in the Bill. Clause 1 repealed the prohibition on the private generation of electricity as a main business, and also removed a requirement for ministerial consent to any form of private generation. Clause 2 required private generators to notify electricity boards of their intention to construct new stations of more than 10 megawatts capacity, the aim being not to inhibit private generation in any way but rather to enable electricity boards to allow for private plant when planning their investment. Clause 3 required that, in the event of a proposal to construct a private nuclear-powered generating station, the consent of the Secretary of State would be required in addition to a licence from the Nuclear Installations Inspectorate. Clause 4 widened the circumstances under which the consent of the Secretary of State for Scotland was needed for the construction or extension of a hydro-electric power station; such consent would be required for such a station with a capacity exceeding 1 megawatt. Clause 5, which lay at the heart of the Bill, required an electricity board to respond to a specified request (to purchase privately generated electricity or to make a standby supply available) from a private generator by making an offer to comply with the request unless, on technical grounds, it would not be reasonably practical to do so; while the next three clauses dealt with charges and prices for the services provided by electricity boards in response to requests from private generators. Here the Bill recognised that published tariffs might not always be appropriate to particular cases, but in such circumstances prices or charges would still have to embody the principle of fair terms. Clause 9 enabled any dispute between a private generator and an electricity board to be referred to the Secretary of State for determination, or to an arbitrator appointed by the Secretary of State. Clause 10 required the boards to consult the Secretary of State for Energy or the Secretary of State for Scotland, as appropriate, on the principles underlying the tariffs that applied to dealings with private generators.

In conclusion, Mr Lawson said that the Bill carried forward the Government's approach to the nationalised industries and the public sector generally. It was the Government's aim, first, to stimulate the operation of market forces and to encourage competition; secondly, to remove artificial constraints on the private sector; thirdly, to open up the possibility for consumers of a choice of supplier; fourthly, to spur state-owned corporations to greater efficiency; and fifthly, further to diversify the country's sources of energy supply.

Opposition Views

The chief spokesman for the Opposition, Mr Merlyn Rees, said that the Bill was 'irrelevant to the real issues of electricity supply' and did not deal with the real needs of the industry. A Bill to deal with the structural problems of the industry might have led to the necessary discussions on the role and accountability of a monopoly public utility. The mere fact that the industry was a publicly owned monopoly did not mean that the Opposition believed that all was well. The Central Electricity Generating Board (CEGB), the Electricity Council and the area electricity boards had existed in various forms for more than 40 years and it was time to ask some questions. The Bill, however, did not provide that opportunity. The idea of private sector suppliers breeding competition simply revealed the nakedness of the ideological belief that free market forces engendered by this or any other Bill would somehow improve matters in the public sector.

The spokesman for the Liberal Party, Mr David Penhaligon, said that three aspects of the Bill pleased him most. First, it would allow and encourage innovation; secondly, it would end the long-standing argument about tariffs between the CEGB and private generators – there was a substantial amount of privately owned plant in his constituency capable of starting operations immediately, the owners of which were only prevented by the tariff arrangement from switching on; and thirdly, the Bill would encourage combined heat and power schemes. Mr Penhaligon emphasised, however, that though the Social Democratic Party (SDP) and the Liberal Party were united in supporting the Bill, they would also be united in opposing it on its third reading if it did not make absolutely clear that there would be no private generation of electricity by means of nuclear power (a point affirmed earlier by the SDP spokesman, Dr Dickson Mabon, who had referred to public concern about safety).

Water Bill

The Water Bill, the main proposals of which are to reorganise water management in Eng-

land and Wales by reducing the size of water authority boards, improving arrangements for consultation and liaison with consumers, and abolishing the National Water Council and the Water Space Amenity Commission, received its second reading in the House of Commons on 16 November by 284 votes to 230, a majority of 54.

Opening the debate (*Hansard*, Vol 32, No 10, cols 150-234), the Minister for Local Government and Environmental Services, Mr Tom King, said that the Bill's overriding aim was to restructure water management in England and Wales.[1] (Mr King made a statement on the forthcoming Bill in the House of Commons in July – see pp 275-6). In spite of the considerable improvement in resource planning, the introduction of common standards, tighter control of pollution, improvement in training and a welcome development in the export effort and potential of the water companies and authorities set up under the Water Act 1973 (see pp 86-8, 1973), there was anxiety that the system was not working. The problem at the level of the ten water authorities (nine for England and one for Wales) was the confusion that existed to some extent between management, consumer representation and local authority representatives on the individual water authorities. The question had never been resolved whether the board members of a water authority were supposed to run the authority or to provide representation for the community and involvement with consumer representation. Many well-intentioned and conscientious board members had sought to discharge their responsibilities, but few members of the public knew who represented them. The number of people who had served on one major water authority – 131 in ten years – underlined the problem.

The Bill contained the outcome of the Government's deliberations on a consultative paper issued in January 1982 (see p 94), that is, the proposal to have a small executive authority for each region combined with consultative committees. (Provision is made for executive boards of between nine and 15 members appointed by ministers. These would replace the existing large boards of up to 62 members, a majority of whom are appointed by local authorities.) There would be a part-time chairman on each executive authority and full-time executive members, to meet the criticism of the previous structure that, although the chief officers had an important role, they were not members of the authority and it was more difficult for them to be as accountable as the authority members. The executive members would include local authority members chosen for their ability to contribute to the management of the substantial undertakings. The executive authority would also include appointments by the Minister of Agriculture, Fisheries and Food to cover the important requirements of both land drainage and fisheries.

[1]The above account incorporates two statements made in winding up the debate by Mr Giles Shaw, Under-Secretary of State for the Environment (col 227), and indicated in square brackets.

Proper representation for consumers would be sought by means of consultative committees; the Government intended to publish draft guidelines for the form of these committees during the progress of the Bill and to define their remit as widely as possible – covering the performance of the authority, the quality of the water, the reliability and speed of service and repairs, charges and individual customer complaints.

On the proposed abolition of the National Water Council and the Water Space Amenity Commission, Mr King said that while at the time of the creation of the new water authorities the Council played a crucial role in getting the new structure under way, its main task had now been achieved. The Government's judgment was that the individual water authorities could now stand on their own and were well established. Ministers dealt directly with them and the Department of the Environment determined their external financing limits. The Government's judgment on the Commission was similar: it had discharged an important role in the initial stages [but had broadly completed its work load]. Under the Water Act 1973 every water authority was under a duty to have regard to recreation and sport; the Government was considering this aspect and there was now close contact between the regional sports councils and the corresponding water authorities.

[The authorities had fully accepted the importance of recreation and amenity activity; their reports made it clear that they had directors who were specifically involved with recreational and amenity activities and that they already had full discussions with regional sports bodies.]

Other clauses in the Bill concerned the borrowing limit for the industry (raised from £5,000 million to a maximum of £7,500 million), the recovery of expenses by the Secretary of State for the Environment from the water authorities, the clarification of the legal powers of water authorities and companies to export water equipment and services to overseas markets, the arrangements for carrying out sewerage functions, and the equalisation of discrepancies between water supply charges in different areas.

In conclusion, Mr King said that the Government's concern throughout had been to achieve the twin aims of providing a good service with a cost-effective use of resources and to back this up with effective representation for the consumer that was better than that which presently existed. The Government had taken a number of steps to try to improve the efficiency and accountability of the water authorities and it believed that the Bill took that process an important step further.

Opposition Views

The chief spokesman for the Opposition, Mr Denis Howell, claimed that the Government had given insufficient justification for what was 'a reorganisation of one of Britain's principal industries' and was proposing 'that every post in every water authority shall be appointed by the Secretary of State'. By abolishing the National Water Council, the Bill was designed to destroy the basis of collective bargaining in the industry and to replace it with ten separate systems. The abolition of the

Water Space Amenity Commission would also destroy the principle that the nation's water space should be managed as part of the national heritage.

British Shipbuilders Bill

A Bill to make possible the introduction of private investment into subsidiaries of British Shipbuilders and to assist the board of the corporation in taking decisions in its best commercial interests received its second reading in the House of Commons on 17 November by 287 votes to 231, a majority of 56.

Introducing the Bill (*Hansard*, Vol 32, No 11, cols 284-365) the Minister of State for Industry, Mr Norman Lamont, reminded the House of the Government's desire, wherever possible, to encourage privatisation. British Shipbuilders should be no exception, but as existing legislation prevented even a modest element of privatisation being applied to its operations, the Bill was a first step towards removing the impediments. Under the Aircraft and Shipbuilding Industries Act 1977 (see p 124, 1977) British Shipbuilders was given a statutory duty to build and repair ships and slow-speed diesel engines, and a series of conditions was imposed under which it had to carry out that duty. The corporation was also prevented from entering into joint ventures with the private sector. The Government now felt that these conditions were far too restrictive for a corporation whose five main divisions (merchant shipbuilding, warship building, engineering, offshore work and ship repair) were so different and diverse. Morever, as the statutory duties imposed by the legislation did not even apply to all the activities of the corporation, there was a case for rationalising on these grounds alone.

Main Provisions

Clause 1 of the Bill would repeal section 2 of the 1977 Act, which imposed statutory duties on British Shipbuilders to promote the production and repair of ships and certain marine engines. The Bill would replace those statutory duties with powers permitting British Shipbuilders to choose whether to engage in these activities, which, at present, it was obliged by law to undertake.

Referring to British Shipbuilders' position on national defence requirements, Mr Lamont said that the Ministry of Defence was British Shipbuilders' most important single customer and the corporation would continue to pay full regard to its requirements. Under the Bill, the defence implications of the corporation's activities, and other matters relating to the national interest, would be the responsibility of the Secretary of State for Industry.

The statutory duty for British Shipbuilders to promote industrial democracy would also be repealed, though the form that employee involvement in management might take would remain the responsibility of the board. Powers would be provided to direct the setting up of employee share schemes to allow the Government to honour its commitment to give employees the opportunity to buy shares.

Clause 2 introduced important new powers for the Secretary of State, who would be able to direct the corporation to dispose of assets and parts of its undertaking and to limit or cease activities. These powers would be subject to a negative resolution[1] in either House. The power to direct British Shipbuilders to limit or cease any activity would also help to prevent unfair competition, Mr Lamont said, as there had been great concern among the private sector ship repairers and engine builders about unfair competition from the corporation almost since its inception.

The board of British Shipbuilders had been consulted on the Government's intention to change the framework within which it operated, and was in favour of privatisation and the injection of private capital into the industry, though it opposed the fragmentation of the corporation. However, the Government would exercise the powers in the Bill only after taking into account the views of the board and the effects on the rest of the industry. The Government believed that it would be wrong if the more profitable companies within the corporation (warship building, for example) were starved of investment because of the losses of the rest of the corporation. In the past, capital expenditure had suffered because of the demands for extra cash to meet unexpected trading deficits. Privatisation, therefore, would open new sources of finance and help with investment. The Minister stated, however, that some of the corporation's most important activities would remain in public ownership for the foreseeable future, such as merchant shipbuilding (which was unprofitable and in its present condition would not attract a private investor).

Opposition Views

Speaking against the Bill, the chief Opposition spokesman on industry, Mr Stanley Orme, said that it was not relevant to the problems facing the shipbuilding industry and that there was no evidence that the board of British Shipbuilders wanted privatisation. Though it advocated the improvement of the shipbuilding industry by different forms of investment, the British Shipbuilders board had not said that the answer to the problem was privatisation. If the Minister were to divide warship building from the building of the merchant fleet, it would mean the end of merchant shipbuilding in the United Kingdom. 'The industry', Mr Orme pointed out, 'was taken into public ownership and saved in 1977 because of the failure of the private sector. We would have had no shipbuilding industry if we had not taken it into public ownership and supported it with government finance and reorganisation.' He added that there had been a considerable improvement in the performance of British Shipbuilders since public ownership.

[1]Under the negative resolution procedure, a statutory instrument setting out a government directive comes into effect automatically after a certain period unless a motion to annul it is proposed.

In his view, the Minister had not made out a case for the Bill, which would cause havoc in the industry and would not help in any way. The Opposition would vote against the Bill if the Government enacted it before the next general election and would reverse the proposals if returned to office.

Mr Bob Mitchell (Social Democratic Party) said that the Bill as drafted was a bad one. It was an enabling Bill[1] which gave the Minister and therefore the Executive much greater powers. The Bill gave the Minister the power 'to do virtually anything without coming back to the House, except perhaps for a one-and-a-half-hour debate after 10 o'clock'. [This is a reference to the fact that debates on negative resolutions (see footnote) customarily take place after 10 p.m. and have a one-and-a-half-hour time limit.] Mr Mitchell said that he agreed with 50-50 experiments and with private capital being brought in if British Shipbuilders wanted it, but the Bill gave the Minister power to direct British Shipbuilders, for example, to sell off an individual yard. He strongly objected to selling off the profitable parts of British Shipbuilders and leaving the rest, as no civil shipbuilding industry would be left.

Government Reply

Winding up the debate for the Government, Mr Alexander Fletcher, Under-Secretary of State for Scotland, reminded the House of the Minister's statement at the beginning that the Government would continue to support the merchant yards. Privatisation would improve the industry's ability to obtain a greater share of world markets. Mr Fletcher said that the board of British Shipbuilders would welcome the introduction of private capital, as this would not only make more funds available for investment, but would also help to increase confidence at all levels in the industry. The Government fully appreciated the difficulties that British Shipbuilders and other European yards faced in competition with the Far East, but the Government must do everything in its power to improve the competitiveness of British industry. Mr Fletcher said that the Bill did not withdraw public support from the industry, particularly merchant shipbuilders, for the simple reason that ownership of the industry did not decide the level of government support or subsidy that might be required from time to time. The industry had to be competitive and had to draw on every resource available in Britain, including capital and expertise from the private sector. It must attract private sector managers, technicians and researchers who would wish to contribute to a thriving and successful organisation.

Biotechnology Support Programme

The Government has launched a new programme of support for biotechnology, providing £16 million during the next three years for the development of new products, processes and demonstration projects.

Announcing the programme at a press conference in London on 24 November, the Secretary of State for Industry, Mr Patrick Jenkin, said that Britain was strongly placed to become a world leader in industrial biotechnology and he attached the greatest importance to developments taking place. Like information technology, biotechnology would have a profound effect on everyone's lives through its impact on a wide range of industries during the next 10 to 20 years. Britain was respected internationally for its work on biotechnology and had built up a strong research base, notably in the work of the universities and research councils, from which the coming advances could grow. Though British industry had already committed considerable resources to ensure that, once recognised, advances in biotechnology – which could take years to develop and mature – could be fully exploited, there were enormous opportunities for new products and processes. Industry had to be alive to all the opportunities. The new programme would increase awareness of the possibilities created by biotechnology and encourage firms to develop biotechnological techniques.

Main Elements of the Programme

The programme has four main purposes: to increase awareness in industry of all opportunities presented by biotechnology, through grants for consultancy and feasibility studies; to increase the volume of research and development in biotechnology in industry, through increased support for innovation and assistance with demonstration plants; to support programmes jointly funded with industry at selected centres of expertise – in industry, research institutes or universities; and generally to strengthen the infrastructure of biotechnology – for example, by supporting the industrial development of culture collections and providing improved access to information on biotechnology. A Biotechnology Unit based at the Laboratory of the Government Chemist, which will include people from industry, has been set up to promote and monitor these initiatives.

Support for Consultancy

Companies which may be ideally placed to take advantage of biotechnology, but which may not be aware of the possibilities or may need an economic or technical feasibility study, can apply for a grant to engage a consultant to carry out studies at three different levels. These are: strategic studies – including multi-client studies where appropriate – to assess the opportunities and commercial risks, and to help in strategic decision-making (up to 50 per cent of the costs, to a project limit of £25,000); feasibility studies of specific product developments, process developments and market assessments – one important area where there may be scope for early application and benefits being the treatment and upgrading of waste (up to 75 per cent of the costs, to a project limit of £10,000); and problem-solving,

[1]An enabling Bill confers powers, the exercise of which may be obligatory or discretionary, as distinguished from peremptory or prohibitory Bills.

that is, advice for small and medium-sized companies on manufacturing or technical problems through the Manufacturing Advisory Service or the Small Firms Technical Enquiry Service (see pp 211-12) (this being free of charge for between five and 15 man-days of consultancy).

Support for Innovation

Support for research and development in innovative projects and processes will usually take the form of a 25 per cent grant towards the costs (33⅓ per cent until 31 May 1983), though higher levels of support may be available for some longer-term projects. Support is selective, and applications cannot be considered if work has already commenced. Support is also available from the Department of Industry jointly with the Science and Engineering Research Council (SERC) through the Teaching Company Scheme which, by recruiting graduates to work in companies, aims to develop partnerships between them and academic establishments to help to improve manufacturing performance and methods. The Department also works closely with other public bodies providing support for biotechnology such as the Medical, Agricultural and Natural Environment Research Councils, the British Technology Group (see p 238, 1981) and the Scottish and Welsh Development Agencies (see pp 106-7, 1975, and p 27, 1980), and especially with the Biotechnology Directorate of the SERC (see p 345, 1981).

Support for Centres of Expertise

The Department of Industry has agreed to support research and development in selected areas of biotechnology at certain institutions, with emphasis being given to joint projects with industry. These institutions are: the Public Health Laboratory Service, at the Centre for Applied Microbiology and Research, Porton Down (Wiltshire), for fermentation technology; the Warren Spring Laboratory, Stevenage (Hertfordshire), and the Atomic Energy Research Establishment, Harwell (Oxfordshire), for downstream processing and other projects; the Biotechnology Institute and Studies Centre Trust (incorporating University College London, the Polytechnic of Central London and the University of Kent), for extended work on biocatalysts; and Patscentre International, Royston (Hertfordshire), for pilot fermentation and downstream processing plant. The Department is considering support for further biotechnology facilities in addition to those already being funded, notably through the research councils – both in their own institutes and, with the University Grants Committee, in universities.

Support for Firmer Foundations

Co-ordination of the interests of government departments and research councils in biotechnology is provided by the Interdepartmental Committee on Biotechnology (see pp 168-9) led by the Department of Industry. The Department's current objectives are: first, to make the unique resource of the National Collections of Micro-organisms more widely useful to industry by encouraging stable funding, developing a central information system, fostering relevant research and development, and establishing a new collection of animal cells and hybridomas including a depository for use in patenting; and secondly, to improve access to information on biotechnology and encourage appropriate information services.

Background

The new programme complements the various activities in biotechnology supported by the Government since the report of the Advisory Committee on Applied Research and Development was published in April 1980 (see pp 135-6, 1980). The Government announced its policy in a White Paper published in March 1981 (see p 116, 1981) and set up its Interdepartmental Committee on Biotechnology in April 1982 (see pp 168-9). On 26 May 1982, on the occasion of the opening of a new biotechnology plant in High Wycombe (Buckinghamshire), Mr Jenkin announced that it was the Government's aim to ensure that industry had the funds to invest in development work.

The research councils have been given a budget of £7 million for work in biotechnology, while the University Grants Committee has allocated an additional £0·8 million to support biotechnology in selected universities. In addition, the British Technology Group has a current commitment of more than £13 million in over 40 British biotechnology projects.

Agreement to Develop Britain's Standards System

A memorandum of understanding recording the joint commitment and intentions of the Government and the British Standards Institution to enhance, strengthen and maintain the national standards system, was signed by Lord Cockfield, Secretary of State for Trade, and Sir Frederick Warner, President of the Institution, in London on 24 November.

Speaking after the signing, Lord Cockfield said that the agreement was a significant step towards the implementation of the new policy set out in the White Paper, *Standards, Quality and International Competitiveness* (see pp 272-4). The central aim of the policy was to turn the national standards system to competitive advantage.

Other steps to implement the policy included a campaign by the Department of Trade to promote the awareness among Britain's top industrial managers of the crucial role of quality in achieving competitiveness. The campaign was being planned in association with bodies such as the British Standards Institution (BSI), the National Economic Development Office, the Confederation of British Industry, the Design Council and the Institute of Quality Assurance.

In addition the first edition of a register of quality-assessed firms would be published by the beginning of 1983, giving details of some 7,000 firms which had been assessed to a specified high

standard for quality capability by a public authority or an independent body such as the BSI.

It was also planned, said Lord Cockfield, to provide 'pump-priming' support for certification schemes. [In their developed form certification schemes enable a manufacturer to signify, by, for example, putting a special mark on his goods, that they have been inspected and tested to a high standard and that his quality assurance scheme has been approved by a recognised body.] The Government would be consulting industry on voluntary national arrangements for accrediting such certification schemes, and on an associated mark. 'Accreditation of this kind enables reciprocal recognition with similar overseas schemes', he said.

Summary of the Memorandum

In a preamble the Government and the BSI record 'their joint commitment to enhance, strengthen and maintain the national standards system . . . and their intentions in this regard'. The BSI is recognised as 'the national standards authority' and confirmation is given to the status of its specifications [known as 'British Standards'] as 'agreed national technical criteria developed and used to serve the public interest'. The preamble notes also that the formulation of British Standards depends on voluntary participation; and that standardisation in certain specialised areas, such as foods and medicines, is outside the scope of British Standards.

The main articles of the memorandum are as follows.

1 The Government agrees to use all appropriate means to help the BSI to achieve its aims. In particular it will maintain an annual grant-in-aid to the BSI for work on standards. The BSI agrees to account for expenditure of the grant.

2 The BSI agrees to take the public interest fully into account. It will seek to ensure that existing as well as future British Standards are suitable for use in government regulations and for reference in public purchasing contracts. The Government agrees to use British Standards, in its regulations and other instruments, wherever they are available and appropriate. When no suitable British Standards exist, the Government and the BSI will try to draw up a timetable for the standards to be developed. The BSI agrees to amend, withdraw or withhold the publication of any standard conflicting with technical regulations. In certain cases the BSI will develop graded standards to meet differing needs.

3 The BSI agrees to give priority to standards work considered by the Government to be in the national interest. Where the work is required urgently, or where research and development costs need to be borne, the Government will consider providing additional finance.

4 The BSI agrees to ensure that its standards committees adhere to British Standard 0 1981, 'A Standard for Standards', and will try to achieve a fair balance of all relevant interests in its work, not only to draw on sound and modern technical practice but to take the commercial needs of manufacturers and users into account as well. Government representatives will participate fully in BSI activities, and at final approval stage for draft British Standards will indicate how acceptable the standards are to their departments for regulatory or purchasing purposes. The Government publishes guidelines for its representatives engaged in standards work and will review them from time to time.

5 The Government recognises the BSI as the British member of a number of international standards bodies and will support the BSI's efforts to achieve international agreements on standards in the interests of British industry and trade. The Government undertakes to keep the BSI informed of intergovernmental discussions affecting standards, particularly with regard to the European Community and its programme for the elimination of technical barriers to trade. The BSI will promote the development of European standards based as far as possible on wider international agreements and in a form suitable for reference in Article 100 directives. [These are rulings under Article 100 of the 1957 Treaty of Rome, which established the European Economic Community, dealing with the elimination of technical barriers to trade. The Community launched its programme in this area in 1969.] Wherever, in the work of European standards committees, matters arise which would require British or European Community legislation, the BSI will seek to ensure that British representatives take a line consistent with the view of their Government.

6 The Government and the BSI will encourage the fullest participation in the preparation of British Standards and compliance with them; and will promote the awareness and understanding of standards.

7 The Government and the BSI will support and encourage other standards work arising from the memorandum.

Shorter Notes

NEW TECHNICAL EDUCATION INITIATIVE

A new technical education initiative was launched on 12 November by the Prime Minister, Mrs Margaret Thatcher. The aim of the initiative is to stimulate technical and vocational education for 14- to 18-year-olds as part of a drive to improve Britain's performance in the development of new skills and technology.

The Manpower Services Commission has been asked to develop, in association with local education authorities and industry, a pilot scheme for young people. The scheme will contain up to ten projects (up to nine in England and one in Wales) offering full-time four-year integrated courses covering technical, vocational and general education as well as work experience in a variety of skills ranging from manual trades to computer sciences. It is hoped that most of these projects,

which will lead to recognised technical qualifications, will be introduced from September 1983, each catering for perhaps 1,000 young people and funded within existing public expenditure provisions.

The Secretary of State for Employment, Mr Norman Tebbit, said of the initiative: 'There has been growing recognition in recent years of the need for higher priority to be given to technical and vocational education in this country if we are to match our competitors in the development particularly of new skills and technology. This has been a common concern amongst all parties involved – local education authorities, schools and colleges, industry and commerce, the Manpower Services Commission, parents and not least young people themselves.' The initiative, he said, 'will complement existing opportunities in full-time education and parallel the provision under the Youth Training Scheme next September for those leaving full-time education at 16' (see p 248).

Sources: *Hansard*, Vol 31, No 8, written answers, cols 269-70; Department of Employment press notice, 12.11.82.

BRITOIL

Total net proceeds from the sale of shares in Britoil (see pp 364-5) have been estimated at more than £625 million.

Announcing this in the House of Commons on 22 November, the Secretary of State for Energy, Mr Nigel Lawson, said that valid applications were received in respect of just under 70 million shares, which had been accepted in full at the underwritten minimum tender price of 215p per share. The balance of the underwritten portion of the offer for sale, some 185 million shares, would be taken up at the same price by the underwriters and sub-underwriters – comprising some 500 pension funds, life offices and other investing institutions – who would hold the shares on behalf of their members, policyholders and shareholders.

Mr Lawson said that 99 per cent of all applications came from small investors (of whom a little over 35,000 applied for 2,000 shares or less) and employees, all of whom would be eligible for the small shareholder bonus (see p 365) – subject to the terms and conditions set out in the prospectus. Under the special arrangements made by the Government for employees of Britoil, some 92 per cent of eligible employees would hold a total of some 0·5 million shares between them. Following the sale, the Government would be left with approximately 49 per cent of the total share capital of Britoil.

In answer to Opposition criticism that the shares were undersubscribed and that the Secretary of State failed to understand the free market, Mr Lawson said that during the gap of nine or ten days between the conclusion of the underwriting and the announcement of the share issue on the one hand, and the final date for applications on the other, 'there could be changes of sentiment in the market one way or the other'. That was why the great majority of share issues – not merely government share issues but all share issues – were either substantially oversubscribed or undersubscribed and why he had insisted that the issue should be underwritten. Nobody who understood the market would say that it was possible to predict precisely the price at which shares would be fully subscribed. Mr Lawson agreed, later, with a comment from the floor of the House that the City of London had proved itself to be very effective in helping to bring to the market the biggest new issue that the country had ever known. The City's institutions had performed extremely well.

Source: *Hansard*, Vol 32, No 14, cols 596-601.

FAST REACTOR POLICY

The Government has decided, following completion of a review, to continue with a substantial development programme for the fast nuclear reactor based on Dounreay (Highland).

Announcing this in answer to a question in the House of Commons on 29 November, the Secretary of State for Energy, Mr Nigel Lawson, said that the fast reactor was of major strategic significance for both Britain's and the world's future energy supplies. It was 50 times as efficient a user of uranium as thermal reactors – such as the advanced gas-cooled reactor and pressurised water reactor – and could create, out of the spent fuel and depleted uranium which had so far arisen from Britain's thermal programme, fuel equivalent to the country's economically recoverable coal reserves.

Mr Lawson said that Britain was among the world's leaders in the development of this technology. Through the successful programme of research and development undertaken by the United Kingdom Atomic Energy Authority (UKAEA), which centred on the operation of the prototype fast reactor and associated fuel cycle at Dounreay, it had demonstrated the feasibility and potential of the technology. It had also collaborated with other major countries which had programmes in this field. It was thus in an excellent position to carry the programme forward and to prepare for the introduction of commercial fast reactors when these were needed to augment its thermal reactor programme. He had therefore asked the chairman of the UKAEA, Sir Peter Hirsch, in consultation with the electricity generating boards, British Nuclear Fuels Limited and the National Nuclear Corporation, to draw up a future development programme which made the best use of Britain's resources and experience.

In common with most other leading nations developing fast reactors, the Government now believed that the series-ordering phase would begin in the earlier part of the next century, and thus on a longer time-scale than had previously been envisaged. There would therefore be more time in which to develop the technology further, before undertaking the construction of the first full-scale reactor of this kind in Britain; the

development programme would be geared to this time-scale.

The Government and the UKAEA had been having exploratory discussions with other countries to establish whether a satisfactory basis for international co-operation could be worked out. The Government wished to see these discussions continue, and had asked the Authority, in preparing advice about the future programme, to take account of the potential for collaborating with other countries as a means of securing the maximum benefits from this vital development programme.

Source: *Hansard*, Vol 33, No 19, written answers, cols 2-3.

PRIVATE SECTOR STEEL SCHEME

Reassurance of the Government's continued commitment to private sector steel was given by Mr John Butcher, Parliamentary Under-Secretary of State for Industry, on 15 November. Speaking at a management conference in Sheffield, South Yorkshire, Mr Butcher said that the private sector steel industry currently faced a number of problems, which it shared with the British Steel Corporation and its European competitors. As Governments had sought by various means to protect their national steel concerns, the British private sector had been severely affected.

The private sector's problems had been further increased by international considerations and by the financial aid given to the public sector. On 14 November 1981, therefore, the Secretary of State had announced the Private Sector Steel Scheme (see p 28, 1982), designed to help the industry with the cost of necessary restructuring and redundancies. The initial allocation had been £22 million, but in view of the response to the scheme, Mr Butcher announced that the Government had now increased that allocation by a further £12·2 million. The scheme, which offers assistance of 85 per cent for redundancies and 25 per cent of the other costs of closure and rationalisation should help the industry to make itself internationally competitive.

Source: Department of Industry press notice, 15.11.82.

END OF REGIONAL GRANT MORATORIUM

The Government has ended the arrangement established in 1979 whereby payments to industry of regional development grant (see p 363) were deferred by four months. Announcing the decision in the House of Commons on 9 November, during a debate on the Queen's speech, the Secretary of State for Industry, Mr Patrick Jenkin, said that the deferment had been originally instituted in order to help to reduce public spending and the public sector borrowing requirement. The Government was now removing this extra financing cost to industry to give a boost to company liquidity in the manufacturing sector in the regions. Later, on 29 November, it was announced that all of the 10,000 deferred payments, representing £150 million in grants, had been posted to applicants.

Sources: *Hansard*, Vol 31, No 5, col 462; and Vol 33, No 19, written answers, col 5.

NEW ENTERPRISE ZONES

Twelve further enterprise zones have been announced – nine in England, and one each in Scotland, Wales and Northern Ireland. This brings the number to 24,[1] with the possibility of one further zone in Wales being announced. The purpose of enterprise zones, which were first announced by the Chancellor of the Exchequer in March 1980, is to generate increased economic activity in areas of high unemployment by reducing to a minimum the level of government supervision and fiscal demands.

The new zones in England are in Middlesbrough, north-east Derbyshire, north-east Lancashire, north-west Kent, Rotherham, Scunthorpe, Telford, Wellingborough and west Cumbria. In Scotland there is to be a zone on Tayside, in Wales at Flint and in Northern Ireland at Londonderry. The average size of the new zones will be around 100 hectares (250 acres). They are expected to be designated by the summer of 1983, and the benefits, which will be the same as in the existing zones, will last for ten years.[2]

Sources: Department of the Environment, Scottish Office and Welsh Office press notices, 15.11.82; Northern Ireland Office press notice, 10.11.82.

FIBRE-OPTICS AND OPTO-ELECTRONICS

The Government has decided to allocate an extra £15 million to the £25 million Fibre-Optics and Opto-Electronics Scheme (see p 239, 1981) and £15 million to a Joint Opto-Electronics Research Scheme to be operated jointly with the Science and Engineering Research Council.

Announcing this at a press conference in London on 1 December, the Minister of State for Industry and Information Technology, Mr Kenneth Baker, said that fibre-optics and opto-electronics were key technologies for applications of information technology. Their importance was only exceeded by that of microelectronics; but their rate of change was more rapid and it was vital that Britain maintained its position of strength. The additional funds for the Fibre-Optics and Opto-Electronics Scheme had been allocated because the number of applications for support

[1]The first 11 zones, originally announced in 1980, were all designated by May 1982 (see p 210). A further zone, at Invergordon in Scotland, was announced in July 1982.

[2]For further details see COI reference paper *Britain's Enterprise Zones and Urban Development Corporations*, No 140/82.

had been greater than the Government had expected. Mr Baker was hoping for the same enthusiastic response to the new scheme, which was intended to stimulate research activity in opto-electronics – including novel materials, integrated optics, integrated opto-electronic displays and sensors. The scheme would run for five years and would support collaborative research projects between industry and universities. Project work would be shared equally between the partners, companies being funded by the Department of Industry with grants of up to 50 per cent and universities with 100 per cent grants from the Science and Engineering Research Council, whose contribution would be approved shortly.

Source: Department of Industry press notice, 1.12.82.

MICROELECTRONICS APPLICATION PROJECT

The Government has decided to allocate an extra £30 million to the Microelectronics Application Project (formerly the Microprocessor Applications Project) as part of the industrial innovation measures announced in the Budget (see pp 132 and 296-7). Announcing this in answer to a question in the House of Commons on 9 November, the Minister for Industry and Information Technology, Mr Kenneth Baker, said that the project was in sight of exhausting its original funding of £55 million (see p 434, 1978) and that the extra funds would allow the Government to keep up the pace of change already achieved, to make new initiatives in industrial awareness and microelectronic training and to continue support for feasibility studies and development projects.

Mr Baker said that he was very pleased with the achievements of the project to date and that it was generally acknowledged to have been a successful programme, well tuned to the needs of industry. Since its inception in 1978 (see p 263, 1978), the proportion of firms in manufacturing industry using or planning to use microelectronics had improved from 5 per cent to 30 per cent. It was moreover not merely having an impact in the 'high technology' industries, but was also helping traditional sectors to innovate; and a large proportion of applications for support had come from small firms.

Source: *Hansard*, Vol 31, No 5, written answers, cols 100-1.

INSPECTION OF COMPANY DOCUMENTS: POSSIBLE PRIVATISATION

The Department of Trade announced on 24 November that it is considering whether all of the functions of the Companies Registration Offices in Great Britain need to be carried out by a government agency. The offices are responsible for matters such as the initial registration of companies, examining and recording statutory documents and making available documents for public inspection. While the first two functions would continue to be the responsibility of a government department, making documents available for inspection is, in the Government's view, a service to the public which needs to be done rapidly and efficiently and is therefore suitable for privatisation. The Department of Trade is therefore inviting a number of private sector companies and organisations to put forward suggestions for taking over this function. Three criteria will be applied: there must be fair treatment for all companies and for members of the public; the service to the public must be at least as good as that now provided; and there must be no break during any changeover to private sector operation. The Department is also considering what steps would be beneficial for users of the offices and for the taxpayer and is to hold consultations with the staff. Proposals for action will be brought forward as soon as possible but legislation may be necessary and it is unlikely that this would be introduced during the present Parliament.

There are three Companies Registration Offices in Great Britain – in Cardiff, Edinburgh and London – with a staff of 1,000 managing the registers and records of between 800,000 and 900,000 companies. The London office is a document viewing centre rather than a registration office.

Sources: *Hansard*, Vol 32, No 16, written answers, col 504; and Vol 33, No 22, cols 495-502.

SOCIAL AND CULTURAL AFFAIRS

Police and Criminal Evidence Bill

The Police and Criminal Evidence Bill received its second reading in the House of Commons on 30 November by 273 votes to 187, a majority of 86. It provides for the modernisation and clarification of the powers of the police in England and Wales while simultaneously providing appropriate safeguards for the citizen. It would make a number of reforms to the law of criminal evidence, introduce improved procedures for the handling of complaints against the police, and give statutory backing to arrangements for consultation between the police and the community.

HOUSE OF COMMONS DEBATE

Home Secretary's Speech

Introducing the Bill's second reading (*Hansard*, Vol 33, No 20, cols 154-232), the Home Secretary, Mr William Whitelaw, said that the Bill was a major step towards more effective enforcement of the law. To protect its freedoms, society looked mainly towards the police, whose pay and conditions had been improved and whose numbers had been increased by 9,000 in England and Wales since the Government took office. Referring to an observation of the Royal Commission on Criminal Procedure (see pp 29-31, 1981), he pointed out that nowhere in England and Wales could a constable who suspected someone of carrying an offensive weapon in a public place stop and search him. The Bill would correct that inadequacy, and meet many similar needs, among which was to clarify an 'extraordinary hotchpotch' of statute and common law.

There was, however, a need to counterweight the powers given to the police with safeguards against unwarrantable interference with the liberty of the citizen. The success of the police depended on public support and the law had to be shaped so as not to forfeit that support; but equally public confidence in the police derived from their ability to catch criminals and if their powers were too circumscribed the public would not see the police as succeeding.

Mr Whitelaw explained that the greater part of the Bill dealt with shortcomings in the law relating to the investigation of criminal offences identified by the Royal Commission in its report. The Government had adopted the Royal Commission's criteria for the arrangements that should govern police investigation of crime: they must be fair; they must be open; they must be workable. The Bill provided additionally for three matters: police complaints procedure; a duty upon police authorities to make arrangements for public consultation of policing matters, with a view to securing help for the police; and certain important aspects of the law of evidence in criminal proceedings, including the admissibility of confession statements.

Part I of the Bill, said Mr Whitelaw, closely followed the recommendations of the Royal Commission on powers of stop and search. It would enable the police, on reasonable suspicion, to stop and search a person in a public place for stolen goods, offensive weapons or instruments for housebreaking or similar purposes. These powers were necessary to help the police to control street crime and burglary. The power to search for stolen goods was not new, being already available in London and certain other parts of the country. The power to search for offensive weapons was already available in Scotland. He added that he should make it clear that the Bill did not revive the offence of 'sus' (see p 31, 1981), which was an offence by itself, that of loitering with intent as a suspected person. The Bill created no new offences: it simply enabled the police to establish, by means of a quick search, whether the person concerned had on him something whose possession was already an offence.

Part II of the Bill placed on a statutory basis the present common law powers of the police to enter premises without a warrant; it provided new powers for the police to enter and search premises for evidence of serious arrestable offences under a justice's search warrant, with a special and more rigorous procedure for evidence held on a basis of confidence; it placed beyond doubt the ability of the police to search the premises for evidence which related to an arrest; it introduced important additional safeguards governing the issue and execution of all search warrants; and it provided clearly for what articles the police might seize in the course of a lawful search. The Bill added a number of offences to the present category of 'arrestable offences' particularly those where the safety of the public required this.

Part IV clarified uncertainty on how long the police might detain someone they had arrested before bringing him before a court, with a new comprehensive scheme for detention. It provided for an absolute limit of 24 hours on detention

without charge, except in the case of serious arrestable offences. In the case of the latter there was to be an absolute limit on detention without charge of 96 hours. Part V established clearer and stricter criteria governing the ability of the police to override the present statutory right of a detained person to have the fact of his arrest notified to someone he chooses. It reduced the minimum age of compulsory fingerprinting from 14 to 10, the age of criminal responsibility, and also set out clear criteria for compulsory fingerprinting and the taking of samples of blood, saliva and so on. Part VII dealt with the admissibility of evidence.

Referring to the recommendations of the Royal Commission on prosecution, Mr Whitelaw said that there was a strong case in principle for a prosecution service independent of the police. A detailed examination of a wide range of options on potential prosecution arrangements was evidently needed, and he had therefore asked a working party of officials to investigate these urgently. The Bill did not deal specifically with tape-recording police interviews but the Government was committed to the principle of tape-recording, preferring to record entire interviews rather than summaries only. Tape-recording trials, announced on 15 November, were, however, necessary to know how tape-recording might best be introduced.

The Bill would give statutory force to Lord Scarman's recommendations on consultation between the police and local communities (see p 256) in order to make a reality of community involvement in crime prevention and to develop the mutual understanding and support that were essential to police effectiveness.

The Government attached great importance to the proposals in Part VIII for reforming the complaints procedure (see p 367), Mr Whitelaw continued. They substituted a new three-tiered structure for the present system. For the most serious complaints there would be for the first time an independent element in the investigation process itself. Mr Whitelaw stressed, however, that nothing in the proposals had sought in any way to set aside or diminish the legitimate rights of police officers. He understood entirely officers' reasonable apprehensions on that score and he had under consideration proposals which they had made for changes in police discipline procedures.

Mr Whitelaw concluded by saying that the Bill was part of the Government's policy to deal with crime. It recognised that the effectiveness of the police depended ultimately not only on the support that they were given but upon the support that they were able to win.

Opposition View

Mr Roy Hattersley, the Opposition spokesman on home affairs, said that the Opposition believed that the Bill contained proposals on arrest, detention and interrogation which were unacceptable in a free society. It proposed extensions of police powers which would alienate the police from the public, making the prevention of crime and the apprehension of criminals more rather than less difficult. He described the proposals for independent investigation of complaints against the police as half-hearted. Even when the assessor was obligatorily involved, his influence would be at best oblique. The Home Secretary surely did not believe that the new system would satisfy those concerned with civil liberties.

Mr Hattersley questioned the definition of a 'serious arrestable offence'. There were no specific criteria for such an offence and the Bill would allow a police officer to decide on his own judgment if such an offence had happened. This was intolerable for civil liberties and an unfair burden to place on the shoulders of individual policemen. The Bill extended the right to stop and search, yet all the evidence suggested that this was a most ineffective way for the police to behave. He had no doubt that stop and search would become a feature of life in the inner cities, but not of life in the prosperous suburbs. As a result the relationship between the police and the ethnic minorities would deteriorate.

The general view of the Bill was that it virtually allowed arrest for any offence. For the first time there would be a statutory provision for a citizen to be held in custody without charge. The Bill did not create new offences, rather it created new conditions under which men and women could be held in police custody without having committed an offence and without being charged. In the Opposition's view, the protection against improper interrogation described in the Bill was inadequate, protection being provided only against the grossest abuses. The Opposition's contentions were that the civil liberties of the public were being constantly eroded and because of the alienation of the police crime would continue to rise. It proposed to vote against the Bill.

PROVISIONS OF THE BILL

Powers of Stop and Search

Part I contains provisions on police powers of stop and search based on the recommendations of the Royal Commission on Criminal Procedure. The power to stop and search persons and vehicles on reasonable suspicion for stolen goods would be extended throughout England and Wales. There would also be new powers to stop and search on reasonable suspicion for offensive weapons, housebreaking implements and other articles used in connection with theft or offences of obtaining property by deception or taking motor vehicles without authority. (The possession of these articles in a public place is already an offence.) There would be new safeguards which would apply to the new powers and to all existing statutory powers of stop and search (for example, those under the Misuse of Drugs Act 1971), and a provision obliging a police officer making a search to identify himself, state the purpose of the search and, if asked, his grounds for carrying it out. He would also have to make a written record of the search either on the spot or as soon as practicable afterwards. In either case a copy of this record would be available on request to the person concerned. There would also be stricter controls on road checks; unless set up for road safety or vehicle excise purposes these would normally require the authority of a senior officer. Statistics

about the use of stop and search powers and road checks would have to be published in the Chief Constables' annual reports.

Powers of Entry, Search and Seizure

Police powers of entry, search and seizure are dealt with in Part II. This would set out the circumstances in which the police might enter premises in order to execute an arrest warrant, would restate in a statutory form the common law powers of entry already available to the police and provide the police with new powers to obtain evidence of serious arrestable offences. Magistrates would be empowered to issue warrants authorising the police to search premises for such evidence. The Bill would provide a separate procedure for evidence held on a confidential basis by a third party. Under this procedure a circuit judge would be empowered to issue an order requiring the production of the evidence to the police or, exceptionally, a search warrant. It would also clarify the power of the police to enter and search without a warrant the premises of a person arrested for an arrestable offence for evidence relating to that or connected offences, build new checks into the search warrant procedure and state precisely the powers of the police to seize articles of evidential value found during the course of a lawful search.

Arrest

Part III introduces a new simplified scheme of arrest. It would retain the existing category of 'arrestable offences' (defined in the Criminal Law Act 1967 as offences carrying statutory liabilities to at least 5 years imprisonment) and add to it certain offences which need, but at present lack, a power of summary arrest. All other offences would carry a power of arrest if certain statutory conditions were satisfied, if it was impracticable to prosecute the suspect by way of summons, or if immediate arrest was necessary to prevent harm or terminate a public mischief. As a consequence of this general provision, statutory powers of arrest for offences which were not 'arrestable offences' would be repealed.

Detention

A new statutory scheme governing detention in police custody would be introduced under which detention would be lawful only if specified detention conditions were satisfied. A designated uniformed officer at each police station would have overall responsibility for the detention and treatment of persons detained after arrest. The need for detention would have to be reviewed at regular intervals. Detention without charge would normally be limited to a maximum of 24 hours; detention beyond 24 hours and up to 48 hours would require the authority of a single magistrate, and beyond 48 hours the authority of a full magistrates' court; there would be an absolute limit on detention without charge of 96 hours; and before authorising detention a magistrate or a magistrates' court would have to be satisfied that the offence under investigation was a serious case of an arrestable offence and that the relevant detention condition was satisfied.

Treatment, Questioning and Identification

Various aspects of the treatment, questioning and identification of persons suspected of crime would be regulated by Part V. It places the power to search arrested persons on a statutory basis and introduces special restrictions on searches of intimate parts of the body. It entitles detained persons to have access to legal advice and to have somebody notified of their arrest and whereabouts, and defines the circumstances in which the exercise of these rights may be delayed. It empowers the police to take fingerprints and non-intimate samples without consent in certain circumstances, and it provides for the destruction of fingerprints and body samples if the suspect is subsequently cleared. Part VI empowers the Home Secretary to issue, subject to parliamentary agreement, codes of practice on the detention, treatment, questioning and identification of persons suspected of crime.

Evidence

Reforms in the law of evidence in criminal proceedings are provided for in Part VII. Rules governing the admissibility of confessions are introduced in place of the relevant provisions in the Judges' Rules which have hitherto dealt with the questioning and treatment of suspects detained before charge at a police station and which are to give way to a code of practice on the treatment and questioning of suspects. Under the provisions of the Bill, a confession would be automatically excluded if obtained following oppression or if obtained in consequence of anything said or done which, in the circumstances, was likely to render a confession unreliable. In addition, certain reforms are proposed to streamline the work of the courts or clarify the law. The Bill provides for the admissibility of microfilm copies, computer and other documentary evidence; sets down a modernised procedure for proof of convictions and acquittals; clarifies and extends the present law on when the accused's spouse must give evidence and when he or she may; and provides for rules to be made requiring advance notification of expert evidence in Crown Court cases.

Police Complaints and Consultation Between Police and Community

Part VIII introduces new procedures for handling complaints against the police and requires arrangements to be made in each police area for obtaining people's views on policing and their co-operation in the prevention of crime.

Shorter Notes

GRANTS TO ASSIST ETHNIC MINORITIES

New guidelines on the payment of grants to local authorities under section 11 of the Local Government Act 1966 have been issued to local authorities in England and Wales, following the Govern-

ment's announcement of new procedures in the White Paper *Racial Disadvantage* (see p 54). The legislation empowers the Home Secretary to pay grants to local authorities who have to make special provision for people of Commonwealth origin in their areas whose language or customs differ from those of the rest of the community. Grants are available towards local authority staff costs and are paid at the rate of 75 per cent of eligible expenditure. Under the new procedures grants will be payable in respect of all first generation Commonwealth immigrants and their children up to the age of 21, irrespective of how long they have lived in Britain (previously Commonwealth immigrants and their children who had been in Britain for more than ten years were excluded). Grants will also be paid in respect of people who were born in Pakistan before it left the Commonwealth in 1972. The rule under which authorities must have more than 2 per cent of people of Commonwealth origin in their areas to qualify for assistance will be relaxed, thus enabling a greater number to do so.

Local authorities will be encouraged to consult the ethnic minority communities in their areas before applying for aid. Hitherto some 85 per cent of expenditure has been incurred in education, where it has been used to fund the salaries of teachers of English and additional teachers in schools with a high proportion of ethnic minority children. The Home Office has emphasised its willingness to consider applications from other local authority departments. In 1981-82 the total expenditure on which grant was paid amounted to some £70 million.

Source: Home Office press notice, 17.11.82.

FESTIVAL OF INDIA

The Festival of India, an eight-month-long celebration of Indian art, science and culture, ended officially on 14 November. The closing event, a performance of Indian music and dance at the London Coliseum, was attended by the Indian Prime Minister's son, Mr Rajiv Gandhi, the Duke of Gloucester, and the Indian High Commissioner. (The inaugural events had been opened in March by the Indian Prime Minister, Mrs Indira Gandhi, and the Prime Minister, Mrs Margaret Thatcher (see p 114).)

Some 1·5 million people have attended the exhibitions, films, drama, dance and display events which took place in London and throughout the country. The two best-attended events were the British Library's exhibition 'The Art of the Book in India', which attracted about 250,000 visitors, and the Museum of Mankind's 'Vasna' exhibition showing a reconstruction of an Indian village, which has been seen by 130,000. Other popular attractions included the exhibition 'Science in India' at the Science Museum, and 'Aditi – A Celebration of Life' in which artists, dancers and craftsmen from all over India performed at the Barbican Centre in the City of London. Apart from these official Festival events hundreds of smaller activities took place in other parts of the country. Schools and colleges mounted at least 700 different events and the Committee of Asian Artists in the United Kingdom organised its own festival for members of the Asian community in Britain.

Speaking at a press conference on 11 November, Sir Michael Walker, chairman of the Festival of India Committee, said that the Festival had enjoyed a success far wider than anticipated. The objective had been to renew the vitality of long-standing links between India and Britain, and make the British people aware of the wonder of the arts in India and of her achievements in the field of twentieth-century science and space technology. The Festival had also enabled the Indian community in Britain to confirm their pride in their cultural heritage.

DIRECT BROADCASTING BY SATELLITE

The Government has accepted the main recommendation of the report of the Advisory Panel on Technical Transmission Standards for direct broadcasting by satellite. The Home Secretary, Mr William Whitelaw, said in the House of Commons on 30 November that the Government had decided that the MAC (Multiplexed Analogue Components) vision system should be adopted as the standard for direct broadcasting by satellite in Britain.

The advisory panel, which was appointed in July under the chairmanship of Sir Antony Part, favours the adoption of the MAC system proposed by the Independent Broadcasting Authority in preference to the PAL (Phase Alternation Line) family of systems proposed by the British Broadcasting Corporation. The report describes in detail the demonstrations of the two systems both separately and side-by-side, and gives detailed reasons for the superiority of the MAC system over that of PAL. It also concludes that the receiver design and construction for MAC are more compatible with modern technological development, that MAC is likely to prove technically more suitable for transmission by cable, and that its development potential is better suited to the next generation of consumer recording equipment and to the approaching era of digital studios and wide-screen display. In making its assessment the panel were influenced by the interests not only of the broadcasters but of consumers, and the manufacturers and cable companies in Britain, as well as by the prospect of European agreement on a common transmission standard.

Direct broadcasting by satellite is due to be started by the British Broadcasting Corporation in the autumn of 1986 on two of the five channels allotted to Britain (see pp 90-2).

Sources: *Hansard*, Vol 33, No 20, cols 117-18. *Direct Broadcasting by Satellite: Report of the Advisory Panel on Technical Transmission Standards.* Cmnd 8751. HMSO, £5·20. ISBN 0 10 187510 X.

DOCUMENTATION

Government and Administration

The Monarchy. COI, No 68/82. (French, Dutch and Spanish editions in preparation.)

Boundary Commission for Northern Ireland. Third Periodical Report on Parliamentary Constituencies and First Supplementary Report on the number of members to be returned to the Northern Ireland Assembly by each of those constituencies. The Commission makes recommendations, in accordance with the House of Commons (Redistribution of Seats) Act 1979, for the boundaries of 17 new parliamentary constituencies in Northern Ireland to replace the present 12. It also recommends that five members should be returned to the Northern Ireland Assembly from each of the redrawn constituencies which would increase the present membership from 78 to 85. A draft Order in Council – the Redistribution of Seats (Northern Ireland) Order – to give effect to these recommendations has been laid before Parliament. If approved its provisions would come into force at the next parliamentary and Assembly general elections. Cmnd 8753. HMSO, £4·80. ISBN 0 10 187530 4.

Civil Service Statistics 1982. These statistics show that the number of civil servants fell by 19,700 between 1 January 1981 and 1 January 1982, when they numbered 675,400. This decrease follows the Government's decisions to increase efficiency and economy, to reduce manpower costs and to reduce the size of the Civil Service to about 630,000 by April 1984. HMSO, £6·50. ISBN 0 11 630461 8.

Immigration from the Indian Sub-Continent. The Government Reply to the Fifth Report from the Home Affairs Committee, Session 1981-82. Responds to the Committee's detailed recommendations for improving the administration of the entry clearance system. Cmnd 8725. HMSO, £2·55. ISBN 0 10 187250 X.

Justice and the Law in Britain. COI, No 179/RP/82. (French and Spanish editions in preparation.)

Gibraltar. COI, No 176/82. (Spanish edition in preparation.)

External Affairs and Defence

Cultural Agreement between the United Kingdom . . . and the Kingdom of Morocco, Rabat, 27 October 1980 (entered into force 11 August 1982). Cmnd 8712. HMSO, £1·25. ISBN 0 10 187120 1.

Report on Research and Development 1980-81. This report from the Overseas Development Administration (ODA) gives details of the many research and development projects supported by the ODA in 1980-81 together with information on Britain's support for international research institutions. Available free from the Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH.

Economic and Scientific Affairs

The Government's Reply to the Report from the Select Committee of the House of Lords on Unemployment (see p 398). Cmnd 8745. HMSO, £2·55. ISBN 0 10 187450 2.

Long-term Unemployment. Manpower Services Commission, Manpower No 1. HMSO, £3·50. ISBN 0 11 888514 6.

Industrial Air Pollution: Health and Safety 1981. HMSO, £4. ISBN 0 11 883661 7.

The Drinks Industry: Health and Safety 1975-81. HMSO, £4·50. ISBN 0 11 883458 4.

Nationalised Industries in Britain. COI, No 128/RP/82. (French and Spanish editions in preparation.)

National Water Council. Annual Report and Accounts 1981-82. Available from the Council at 1 Queen Anne's Gate, London SW1H 9BT. £2·50. ISBN 0 901090 58 1.

Anglian Water Authority. North West Water Authority. A report on the sewerage functions of the two authorities. Monopolies and Mergers Commission. Cmnd 8726. HMSO, £9·25. ISBN 0 10 187260 7.

Public Transport Subsidy in Cities (see p 407).Cmnd 8735. Department of Transport. HMSO, £1·65. ISBN 0 10 187350 6.

Agricultural Research Council. Annual Report 1981-82. HMSO, £4. ISBN 0 7084 0254 2.

Medical Research Council. Annual Report 1981-82. HMSO, £4. ISBN 0 11 983439 1.

Review of Technical Standards for Overhead Lines following Storm Damage in December 1981 and January 1982. A joint government/industry report commissioned by the Secretary of State for Energy after disruptions to power supplies during the severe winter of 1981-82. Replying to a question in the House of Commons on 1 December, the Parliamentary Under-Secretary of State for Energy, Mr David Mellor, said that the report – which recommended a ten-year improvement (costing over £100 million) to overhead power lines – had found that while design standards for overhead lines were generally satisfactory, some practical and worthwhile improvements could be made. [*Hansard*, Vol 33, No 21, written answers, cols 186-7.] Available from the Library of the Department of Energy. £10.

Social and Cultural Affairs

Civil Judicial Statistics, Scotland 1980. Cmnd 8733. HMSO, Edinburgh, £5·75. ISBN 0 10 187330 1.

Prevention of Rabies in Britain. COI, No 37/82. (Arabic, Dutch, French, German and Italian editions in preparation.)

Council for National Academic Awards. Annual Report 1981. The Council awards degrees and other qualifications, comparable in standard with those granted by universities, to students completing approved higher education courses. Available free from CNAA, 344-54 Gray's Inn Road, London WC1X 8BP.

Examinations at 16 plus: A statement of policy. A Department of Education and Science policy document describing the steps necessary before a decision can be taken on whether to introduce a single system of examinations at 16 plus to replace the Certificate of Secondary Education (CSE) and General Certificate of Education O levels, or to continue with an improved duel system. HMSO, £1·65. ISBN 0 11 270308 9.

Ethnic Monitoring in the Civil Service: A Survey in Leeds. Vol 1. Describes the background to the survey and how it was carried out. The results and analysis will be published as Vol 2 in 1983. The decision to hold an experiment in ethnic monitoring was announced by the Home Secretary in December 1981 (see p 32) in order to measure more accurately the extent of racial disadvantage. HMSO, £2. ISBN 0 11 630463 4.

Management Co-operatives: Tenant Responsibility in Practice. By Patricia Downey and others. HMSO, £4·60. ISBN 0 11 751622 8.

Independent Broadcasting Authority. Annual Report and Accounts 1981-82. HMSO, £2. ISBN 0 900485 44 2.

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